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Chair

The Honourable Wayne Easter

Standing Committee on Finance

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● (0850)

[*English*]

The Chair (Hon. Wayne Easter (Malpeque, Lib.)): We'll call the meeting to order.

We are one member short for a while this morning. Peter Julian had to go back to Ottawa, and I expect Mr. Fergus will soon be here.

Welcome to all the witnesses to our pre-budget consultations for budget 2019. We appreciate anybody who has sent in their submissions prior to this meeting, and we really appreciate your coming today to make your remarks to the committee.

For those witnesses sitting at the table who may not know, we'll start that session at 9 o'clock. When we are on the road, we have open mike sessions, which give organizations and individuals the opportunity to go to a floor mike and make a one-minute statement on issues of concern. It does go into the record and it is considered by the committee. There are no questions for those witnesses from committee members, just so you know what it's about.

We'll start with the open mike session now.

Mr. Jonathan Larochelle, go ahead. You may speak in whatever language you prefer. There are translation services for members.

[*Translation*]

Mr. Jonathan Larochelle (Engineers Without Borders Canada): Thank you very much, Mr. Chair.

Hello.

My name is Jonathan Larochelle, and I am a member of the Université Laval chapter of Engineers Without Borders Canada.

With regard to the international assistance envelope, I would like Canada to commit, in budget 2019, to a 10-year schedule for the predictable annual increase of 15%.

This request is based on recommendation no. 85 in last year's pre-budget consultations report and on a report on Canada published in mid-September by the Organisation for Economic Co-operation and Development, or OECD.

The commitment made in budget 2018 to increase support for the official development assistance program or ODA is encouraging. However, despite this increased support, Canada's ODA spending remains close to its historic low and falls well below the support promised by our global peers.

ODA is fundamental to our global prosperity, and investments in that regard support vital services, such as health care and education, in some of the least developed countries.

Increasing ODA based on a predictable schedule in budget 2019 would show that Canada is a committed world leader that is helping to create a better world for everyone.

Thank you very much.

[*English*]

The Chair: Thank you very much.

Mr. Serge Boisseau, go ahead.

[*Translation*]

Mr. Serge Boisseau (National Association of Federal Retirees): Hello, Mr. Chair.

My name is Serge Boisseau. I'm the second vice-president of the National Association of Federal Retirees, Quebec branch. The association has 175,000 members in Canada.

We are calling on the government to help Canadians improve their retirement security, to keep its promises to retirees when it amends the pension programs, and to continue to improve the Canada pension plan and old age security.

The first step in that direction would be the immediate withdrawal of Bill C-27, which enables employers to break pension-related promises to their employees. The defined benefit pension plan is the most effective way of ensuring retirement security.

In short, retirees are important to our economy. Their retirement security benefits not only them but also their communities and the entire country.

Retirees continue to be active consumers, whether it be by travelling, paying taxes or making consumer purchases. Good retirement income security leads to better health, which reduces the burden on the health care system.

Thank you and have a pleasant day.

[*English*]

The Chair: Thank you very much.

Mr. Raymond Cimon is next.

[*Translation*]

Hello.

Mr. Raymond Cimon (Canada Deposit Insurance Corporation): Hello, Mr. Chair.

My name is Raymond Cimon, and I'm one of the administrators of the Réseau des Sociétés d'aide au développement des collectivités et Centre d'aide aux entreprises, or the Réseau des SADC et CAE, du Québec, the treasurer to be more precise. The network is made up of 67 members in Quebec and over 269 members across Canada.

In Quebec, we are currently working on renewing agreements related to SADC and CAE activities. There has been no increase in the budget for such activities since 2013. We need funding to retain our staff and, of course, to continue our good work on the ground.

We also need funding so that we can lend more money to Quebec businesses. Because of the upheaval affecting financial institutions, businesses have new needs to continue to grow.

Every year, we lend approximately $86 million to various businesses in Quebec. More funding is also needed to enable the common fund, what we in Quebec refer to as "Capital Réseau", to help them. This is a kind of fund that helps businesses that require a little more capital.

Investing in SADCs and CAEs constitutes an indirect investment in innovation and in the development of our rural communities. Funding for local development helps people take more responsibility for their own communities.

Thank you.

[*English*]

The Chair: Raymond, we didn't catch the name of your organization. Could you give us the organization name, please?

[*Translation*]

Mr. Raymond Cimon: It is the Réseau des Sociétés d'aide au développement des collectivités et Centre d'aide aux entreprises, or the Réseau des SADC et CAE, du Québec.

[*English*]

The Chair: Thank you very much.

Next is Mr. Jolin Ferland.

[*Translation*]

Hello.

Mr. Jolin Ferland (Canada Deposit Insurance Corporation): Hello.

My name is Jolin Ferland, and I work for the Réseau des SADC et CAE, the same organization that Mr. Cimon just talked about.

I don't want to repeat what Mr. Cimon said. I simply want to add that the federal government implemented SADCs and CAEs many years ago, thirty years ago to be exact. SADCs and CAEs are a wonderful gateway for the federal government to every region of Canada.

We are calling on the government to make better use of our network so that we can help small communities, local businesses and local development projects. We want our small communities to survive. It is therefore important for the government to invest in our network. We have members all across Canada. Use them.

As Mr. Cimon said, we have been short of funding since 2003, and we will be making representations in that regard in the coming months.

Today, as we speak, a meeting called "Day on the Hill" is being held in Ottawa, and more than 100 representatives of our organizations are there to talk to federal MPs. As for us, we wanted to be here this morning to also make our voice heard as part of these consultations.

We cannot make all of our representations today. That is why I suggest that you contact Hélène Deslauriers, the executive director of the Réseau des SADC et CAE, who will explain what we are requesting as part of these consultations.

We want to be included in the federal government's 2019 budget.

Thank you.

● (0855)

The Chair: Thank you.

Xavier Cadoret, you have the floor.

Mr. Xavier Cadoret (ONE Campaign): Hello hon. members.

My name is Xavier Cadoret, and I'm a member of ONE in Canada.

Did you know that, every year, 2.7 million children die at birth, that adolescent girls account for 74% of all new HIV infections, and that, today alone, 800 children will die of disease?

Those are alarming statistics, but there is hope. In 2015, 2016 and 2017, our committee recommended that Canada set a goal of investing 0.7% of its gross national income in official development assistance by 2030.

I am here today to call upon the Government of Canada to follow that recommendation in budget 2019 and to increase Canadian spending on international development and humanitarian aid over the next 10 years with predictable annual increases of 15% to the international assistance envelope as of 2019.

[*English*]

The Chair: Thank you very much.

Before we begin with the witnesses, we'll go around and ask members to introduce themselves.

I'm Wayne Easter, member of Parliament with the governing party. I'm from the riding of Malpeque, Prince Edward Island. If you've had those good oysters, that's where they come from.

We'll start with Leona this time.

Ms. Leona Alleslev (Aurora—Oak Ridges—Richmond Hill, CPC): Good morning. I'm Leona Alleslev, member of Parliament for Aurora—Oak Ridges—Richmond Hill, which is just north of Toronto.

[*Translation*]

Mr. Pat Kelly (Calgary Rocky Ridge, CPC): Hello.

I'm Pat Kelly, member for Calgary Rocky Ridge.

Mr. Peter Fragiskatos (London North Centre, Lib.): Hello.

My name is Peter Fragiskatos, and I'm the member for London North Centre. It's a pleasure.

[*English*]

to be with you this morning. Thank you very much.

[*Translation*]

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Hello.

My name is Francesco Sorbara, and I'm the member for Vaughan—Woodbridge, which is near Toronto.

I am very proud to be here today in beautiful Quebec City.

Mr. Greg Fergus (Hull—Aylmer, Lib.): Hello.

My name is Greg Fergus, and I'm the member for Hull—Aylmer, the other part of the national capital region, in the Outaouais.

I have been a member of the House of Commons since 2015 and a member of the Standing Committee on Finance since 2016. It is a pleasure to come back to Quebec City, one of my favourite cities in our beautiful country.

[*English*]

The Chair: Welcome, all.

We will begin with l'Association pour la recherche au collégial, Ms. Lynn Lapostolle and Mr. Poulin.

[*Translation*]

Mrs. Lynn Lapostolle (Director General, Association pour la recherche au collégial): Hello.

Welcome to Quebec City. I agree. It is a beautiful city. Thank you for being here and for meeting with us here in our city.

My name is Lynn Lapostolle.

[*English*]

"Lynn" is maybe easier, so use "Lynn". It's fine with me.

[*Translation*]

I represent the Association pour la recherche au collégial.

[*English*]

We could say "association for college research" in Quebec.

[*Translation*]

Our association thanks you for giving us the opportunity to come and speak about the purpose of the brief we submitted.

The mission of our organization is to promote all college research, that is basic, applied research in natural sciences and engineering, in the humanities and social sciences, and in health, whether it be in CEGEPs, subsidized private colleges or government schools. We have all of those here in Quebec.

We are interested in all of the research conducted by college researchers, whether it is in French or in English. That is what we promote and that is what we would like to draw your attention to this morning.

We are counting on the support that the Government of Canada can provide to these institutions and to college professors, researchers and students who are interested in research, because all of these people often work in partnership with Canadian businesses. That is really what we want to talk about this morning.

Our first recommendation relates to the need for strong government support for the direct costs of research in the upcoming budget. Research is a hallmark of higher education, and colleges are post-secondary institutions. That is the first very important thing to remember. The difference is that, at the college level, research is a voluntary activity. That means that the people who have been doing research in Quebec's colleges for the past 50 years care passionately about it. That is the second very important thing to remember, and we will talk more about it later. Any support provided must take into account that reality or characteristic of college research.

There are colleges and affiliated research, transfer and technology access centres located all across Quebec. There are approximately 80 institutions, not counting the research, transfer and technology access centres. These institutions are closely connected and share a relationship of trust with industry, which is made up of many small and medium-sized businesses both in Quebec and Canada. These colleges have been conducting an increasing amount of research in recent years. This increased research has helped to improve modern production techniques, and thus the competitiveness of businesses. It has also helped to solve social problems that impact the growth of the GDP, the deficit and Canada's economic development.

Of course, social science and humanities research has to be considered in a somewhat different light. We included references to that in the documentation we provided. We can talk about it more later. We are very appreciative to the Government of Canada for creating a social innovation fund for community research. This fund could use more resources, and colleges are prepared to help support that measure.

Funding has not increased in proportion with the rise in research activities. That is the first thing I wanted to point out. How can we obtain support for the direct costs of research in order to relieve researchers of some of their mandatory duties?

As I was saying, the work these researchers do is on a purely voluntary basis and is not part of their mandatory duties. We must therefore free professors from some of their duties so that they can conduct research. How can college researchers obtain direct funding to help them deal with the growing demands? Some of these demands are related to sustainable development, research data and the advancement of women with careers in higher education and research.

● (0900)

Monday, I participated in a workshop on a made-in-Canada Athena SWAN initiative. The Natural Sciences and Engineering Research Council of Canada, or NSERC, is holding consultations about that right now. This is a new demand that may soon need to be met. We therefore need more support for those costs.

Mr. Robert Poulin (Retired Manager, Association pour la recherche au collégial): My name is Robert Poulin, and I'm an administrator for the same association.

Our second recommendation has to do with indirect costs. For colleges, that means expenditures that were not associated with one project in particular. Such expenditures include the cost of managing and administering research activities, research facilities, research resources, and the regulatory requirements and standards that colleges must meet in order to be eligible for the various programs offered by the three councils. They also include the cost of managing and administering intellectual property and knowledge mobilization.

If the institutions were to receive money to cover their indirect research costs, they would be in a better position to help businesses at every stage, including research, technology transfer to businesses, training on how the new technology works, and the marketing and production of goods. This would make Canadian businesses more competitive on international markets.

We are finding that some of the research funding programs administered by the three councils cover some of the indirect costs, but the amounts that are currently being allocated are not nearly sufficient. Take, for example, the research support fund, which was included in the last budget. The amounts granted to institutions in 2016-17 varied from $402 to $38,827 for a total of $203,487.

According to the work done by Colleges and Institutes Canada, the indirect research needs of all colleges and institutes across Canada amount to $40 million. The $203 million that Quebec colleges received in 2016-17 is far cry from the $10 million that they usually get.

● (0905)

Mrs. Lynn Lapostolle: You mean $203,000.

Mr. Robert Poulin: Yes. We received only $203,000 in 2016-17.

Mrs. Lynn Lapostolle: Our third recommendation concerns the students, who are the lifeblood of Quebec colleges. If they lived in other provinces, perhaps they would be attending a university. The systems are somewhat different.

Many are very interested, available and curious. They want to develop what UNESCO refers to as their critical thinking and analytical skills. That is what businesses need. They need people to work on site and to do research for them or people who will create new leading edge companies. Research is interesting work and students like it. We would like businesses to have the means to hire even more students for their research projects, and those resources would make it possible to better develop tomorrow's talent.

[*English*]

The Chair: Is that it, or is there one more?

[*Translation*]

Mrs. Lynn Lapostolle: We have one last point.

Mr. Robert Poulin: Our fourth recommendation urges the government to further encourage private, public and non-profit organizations that want to support research and innovation. As we know, most of the businesses, over 95%, that make up the industrial fabric of Quebec and Canada are micro-businesses or small and medium-sized businesses. They do not have the means or the resources to better equip themselves with technology or to be globally competitive.

We suggest that these small businesses that lack such means call upon the services of Canadian colleges, with whom they already have close ties, for help with research and technology transfer, among other things. In order to encourage businesses in that regard, we propose that they be given access to a more generous and worthwhile tax credit program that will enable them to improve their technology and perhaps also compensate for the labour shortage we are currently experiencing.

Non-profit organizations working in the social arena will not derive any benefit from a tax credit since they generally do not pay taxes. In their case, a direct subsidy would be preferable. All of these organizations that use the research done by colleges in the social innovation sector could do more to help social services resolve large-scale societal issues that are costing the government a lot of money and having an impact on public finances and the deficit.

● (0910)

[*English*]

The Chair: Thanks, both of you.

We will now turn to the Confédération des syndicats nationaux, with Mr. Patry, treasurer, and Mr. Bélanger, adviser.

The floor is yours. Welcome, and thank you.

[*Translation*]

Mr. Pierre Patry (Treasurer, Confédération des syndicats nationaux): Thank you, Mr. Chair.

Hello ladies and gentlemen and members of the Standing Committee on Finance.

First and foremost, I would like to acknowledge Mr. Fergus and remind him that the CSN stands in solidarity with those affected by the tornadoes in the Outaouais area. We have already said it, but I wanted to reiterate that.

I am the treasurer of the Confédération des syndicats nationaux, which is a labour organization made up of nearly 1,500 unions representing some 300,000 workers, primarily in the province of Quebec. Since we already sent you our brief on August 1, I will simply give an overview of the eight recommendations that we made in it.

The first two recommendations have to do with taxation. I would like to remind you that the CSN welcomed the government's tax reforms aimed at making personal income tax more progressive. The CSN also agrees with the tightening of tax rules governing Canadian small businesses, even though the government did not go as far as we would have liked.

First, we believe that the government must do more in that regard, and we recommend that it introduce measures to protect the tax base by enhancing Canada's taxation measures. These measures include revising the capital gains inclusion rate because, as they say, a dollar is a dollar; tightening stock option deductions; reducing tax breaks for oil and gas companies, and I will come back to the issue of climate change later; and replacing research and development tax credits with direct government assistance, which we believe would be a more effective policy and provide better support in that area.

Second, the Government of Canada participates in G20 and OECD initiatives to combat tax havens, which is good, but not enough. The CSN participates in Échec aux paradis fiscaux, an organization that I believe you will be hearing from this morning in your second group of witnesses. That organization is of the opinion that the government needs to put some order in its own house. The CSN shares that opinion and is calling on the government to amend the regulations governing tax information exchange agreements and tax treaties in order to make it impossible for companies to transfer dividends back to Canada from tax havens completely tax free. We know that the various levels of government are losing a lot of money that way and we think that the federal government should take action in that regard.

I would now like to talk about employment insurance issues. The CSN believes that a great deal remains to be done in order to make the employment insurance program responsive to the realities of the working world. The government's initiatives to deal with the specific problems experienced by seasonal workers are worthwhile but insufficient. The measures related to training set out in the last budget and the announcement that was made on August 20 regarding a two-year pilot project that provides for five additional weeks of benefits are steps in the right direction but not a definitive solution. The government needs to recognize the reality of seasonal work and provide lasting solutions for workers in communities that largely depend on such activities. The government must therefore review the employment insurance program and find a lasting solution to the "black hole" experienced by seasonal workers. Some regions of Quebec and eastern Canada are particularly affected by this problem.

I also want to talk about trade relations between Canada and the United States and fine-tune what we said in our brief a bit since, if we are to believe the American President's many tweets, the situation seems to have evolved somewhat since August 1. A new trade agreement has also been signed since then.

Canada and Quebec are being hit hard by the application of U.S. tariffs. The CSN feels that the Canadian government had no choice but to respond to the U.S. tariffs, matching the responses of Mexico, the European Union and China. The CSN applauds the $2 billion in measures announced by the federal government to protect Canada's steel, aluminum and manufacturing industries and workers.

We are disappointed that the negotiations surrounding the newly concluded United States-Mexico-Canada Agreement did not result in the elimination of the tariffs on steel and aluminum. We are also disappointed about the whole supply management issue. I'm sure others will have more to say about that and will say it much more eloquently than I can. The government must follow that issue closely and review, when necessary, the assistance it is granting to the steel and aluminum industries in order to help Canadian businesses in those sectors to withstand the tariffs imposed by the United States.

In the face of the U.S. tax reforms, Canadian employer associations are currently pressuring the federal government to reduce corporate and personal income tax rates.

Do I have a minute left?

● (0915)

[English]

The Chair: I wasn't getting the translation.

Go ahead. We'll see what happens now.

[Translation]

Mr. Pierre Patry: I was saying that there is pressure to reduce corporate income tax rates. However, it is far from certain that simply emulating U.S. policy is the right approach for Canada.

Here are some of the measures Canada should put forward to ensure its continued economic and social development. In response to U.S. tax reforms, the government should ensure that Canada continues to be a welcoming place for immigrants, particularly since we are experiencing a labour shortage; adopt measures to foster increased participation of underrepresented groups in the labour force; invest more in labour force training and education; and provide adequate funding to the public health system.

The CSN feels that the federal government's decision to buy the Trans Mountain pipeline from Kinder Morgan is incompatible with the pledges it made at the Paris climate conference to fight climate change and reduce greenhouse gas emissions. The CSN also feels that there are further inconsistencies in the government's approach since this purchase involves the transfer of public funds to an oil company, whereas substantial investments should be being made in the renewable energy sector. What is more, this decision flies in the face of opposition from the Government of British Columbia and a number of civil society groups. For all of these reasons, the CSN believes that the government must stop encouraging increased production of petroleum products from the oil sands and invest in other sources of energy.

Print media are experiencing a crisis that is having a significant impact on our democratic life. Together with the Fédération nationale des communications, the CSN is requesting the following: access to the Canada periodical fund for daily newspapers, tax credits equivalent to 30% of salary expenditures for print media, and the establishment of a fund for the continued existence of information production. The government must implement measures to support print media.

We are in Quebec's national capital. The Davie shipyard is just across the way. It is very beautiful. I invite you to go to Lévis to see it. The Harper government ignored Quebec when it awarded $35 billion in contracts to build vessels for the Royal Canadian Navy and the Canadian Coast Guard, even though the Davie shipyard in Lévis was fully qualified to obtain a share of those contracts.

Steps have been taken to ensure the continued existence of the Davie shipyard, but much more needs to be done. There have been massive job losses and a lot of expertise has been lost that we will never get back. The Trudeau government should stop making the same mistake as the previous government and recognize the Davie shipyard in the national shipbuilding strategy.

That is the end of my presentation.

[*English*]

The Chair: Thank you very much, Mr. Patry.

Turning to the Quebec City Chamber of Commerce and Industry, we have Mr. Paradis.

Welcome.

[*Translation*]

Good morning.

Mr. Michel Paradis (Director, Entrepreneurship International, Québec City Chamber of Commerce and Industry): Good morning.

The Québec City Chamber of Commerce and Industry represents over 4,500 members, businesses, and delegates. It speaks for Quebec City's business community, and Quebec City will be the focus of my presentation today. We are well aware that the three subjects we will be raising today, two of them in particular, demand federal-provincial collaboration. This morning, we'll consider the broad strokes, but the chamber of commerce will of course look at things in much greater detail after the budget is tabled.

The three subjects we want to focus on this morning are immigration and its potential for addressing the labour shortage; tax fairness, specifically in relation to online commerce; and our businesses' ability to compete following the latest developments in negotiations for the newly renamed NAFTA.

With respect to the labour shortage and immigration, as you know, many believe we must resolve immigration issues if we are to resolve the labour shortage plaguing our capital in particular. While immigration is not the only solution—we also have to consider labour market reintegration measures and find ways to keep older people on the job—it is undeniably key to addressing this situation.

According to an Institut du Québec study on immigration and the labour market, one thing we know for sure is that most of the people who immigrate to Quebec settle in Montreal, with other regions suffering as a result. In 2017, 76% of permanent residents settled in Montreal and 42% were French-speaking. It is clear to the chamber of commerce that we need to work toward a better distribution of immigrants across Quebec. I should add that, between 2012 and 2017, 6.2% of international immigrants to Quebec settled in and around the capital, a region that accounted for about 10% of the population. While the situation is improving, it is very clear to us that more can be done.

To that end, the chamber of commerce believes that employment is one of the best ways to integrate an individual into the community. That makes the Quebec City region a great place to optimize retention and integration, and it is clear to the chamber of commerce that immigration is a great way to address the labour shortage. The chamber of commerce is therefore counting on the next budget to create the right conditions for achieving this goal through federal-provincial collaboration.

Now I'll move on to tax fairness.

Tax fairness is an extremely sensitive issue in our area. Community leaders have publicly expressed outrage over this issue, and the chamber of commerce has every reason to support their demands.

As far back as 2015, the Institut du Québec observed that Quebec businesses are behind the e-commerce times. At the time, Quebeckers made $6 billion worth of purchases online, but spent only $1.7 billion of that on Quebec-based websites. We kept encouraging Quebec businesses to focus on online sales to strengthen Quebec's ability to compete internationally. The problem is that provincial and federal tax systems are not designed for the world of online commerce. Goods purchased online from vendors outside Quebec are not subject to GST or QST. That makes it impossible for our businesses to compete.

The chamber of commerce would like to see our governments follow in the footsteps of countries such as Australia, New Zealand, Norway, and India, which have taken action guided by OECD recommendations that consumption taxes should be collected by the country in which the consumption takes place and that vendors should collect the tax.

The chamber of commerce firmly believes that this issue deserves more attention and that Quebec and Canada should work together to fix or at least improve the situation.

Lastly, with respect to competitiveness and the NAFTA context, the chamber of commerce is certainly glad that an agreement in principle has been signed, which should stabilize the economic climate and dispel uncertainty. Even so, some organizations have expressed various concerns and raised quite a few questions about the agreement. I'm talking about the agricultural sector, of course.

● (0920)

The chamber of commerce hopes that, in the near future, the concept of fairness will become the norm in order to keep all of the country's economic sectors healthy and safe. Here again, the chamber of commerce will be paying very close attention to all measures implemented to resolve or at least mitigate this issue.

In closing, the Québec City Chamber of Commerce and Industry's purpose in appearing before the Standing Committee on Finance is to bring the committee's attention to issues of concern to its members. Specifically with respect to the current context, the chamber of commerce wishes to emphasize that collaboration is key to preserving a stable economic climate, helping our businesses grow, and creating wealth here at home.

Let me reiterate that the chamber of commerce will be paying close attention to any measures taken as it advocates on behalf of Quebec City's business community.

Thank you.

● (0925)

[*English*]

The Chair: Thank you very much, Mr. Paradis.

We now turn to Réseau Trans-tech and Ms. Déziel.

[*Translation*]

Mrs. Nancy Déziel (Chairman of the Board, Réseau Trans-tech): Good morning Mr. Chair, committee members and guests. Thank you for inviting me to share our recommendations with the committee this morning.

My name is Nancy Déziel. I am the president of the board of Réseau Trans-tech, a network of college centres for the transfer of technologies, or CCTTs. There are 59 such centres in Quebec, many of which are members of Tech-Access Canada. Every year, our 59 CCTTs conduct 7,000 applied research projects for over 4,000 businesses, mostly small and medium-sized ones. CCTTs collaborate with universities and other research centres.

We are pleased that the Government of Canada is supporting this work by investing in three major funds, NSERC, SSHRC, and the Canadian Institutes of Health Research, as well as the NRC, the CFI, and Canada Economic Development.

However, our members' ability to support entrepreneurs' progress toward innovation is threatened by the fact that colleges and CEGEPs are financially responsible for much of the cost of their research activities. At present, that is the only thing standing in the way of Canada having world-class applied research capabilities.

The funding situation means that a number of Quebec CCTTs have to put the brakes on development and restrict access to some of their ultra-high-tech equipment so they can reduce the cost of maintaining and updating it and renewing licences. These limitations mean that considerably fewer SMEs and organizations that can access support services.

We believe there is no better time to invest. More than ever before, SMEs have to upgrade and modernize their operations in order to position themselves upstream of market demands and carve out a niche for themselves in the globally competitive knowledge economy.

NSERC's college and community innovation program allows colleges to use up to 20% of a grant to cover certain costs. However, our surveys show that indirect costs associated with research in colleges eat up between 27% and 35% of the funds, so 20% is not enough. Furthermore, this solution applies only to expenditures related to ongoing projects, not those required to maintain the research capabilities of institutions in the network.

Our recommendations are as follows.

First, we recommend that the government establish the regional innovation acceleration fund, the RIAF. We submitted this proposal to the Minister of Science and Sport and the Minister of Innovation, Science and Economic Development. This fund would ensure the continuity of college research and enable SMEs across Canada to access it.

Second, we recommend that the government invest $135 million in the fund over five years.

Third, we recommend that the government assign delivery of this fund to regional development agencies such as Canada Economic Development for Quebec Regions or NSERC.

Implementing this initiative would generate inclusive innovation access opportunities, accelerate the creation of stable, well-paying jobs in all Canadian communities, and increase experiential learning opportunities for students in order to foster innovative talent throughout the country.

How would such a program work? Participation by colleges and CEGEPs would be voluntary. The program would be open to all institutions eligible for NSERC, SSHRC, and CIHR programs. The amount of financial assistance would be calculated on the basis of the average of the amounts received over the last two years from competitive NSERC, SSHRC, and CIHR programs exclusive to colleges. Hence, colleges receiving an average of less than $375,000 in grants would receive $150,000 per year to support applied research development in their region and allow them to establish a critical mass of research.

In closing, I can assure you that Réseau Trans-tech is collaborating with Tech-Access Canada and with Colleges and Institutes Canada. We are working together, and we represent these organizations, which operate across the country.

The committee and the Government of Canada can count on Réseau Trans-tech's full participation and collaboration in implementing these major initiatives and driving society forward. We are prepared to answer all of your questions and to help implement this project.

Thank you very much.

● (0930)

[*English*]

The Chair: Thank you very much, Nancy.

Turning to the UPA, we have Ms. Bouffard and Mr. St-Roch. Welcome.

[*Translation*]

Ms. Isabelle Bouffard (Director, Direction recherches et politiques agricoles, Union des producteurs agricoles): Good morning.

My name is Isabelle Bouffard. I am the director of the Direction recherches et politiques agricoles, Union des producteurs agricoles (UPA). I am here with my colleague Marc St-Roch, who is a tax expert.

We thank the Standing Committee on Finance for allowing the UPA to present the requests of Quebec farmers as part of the pre-budget consultations in advance of the 2019 budget

The UPA represents all Quebec agricultural businesses and producers. As you know, the agricultural sector is a major contributor to Canada's economic growth. However, government investments will be required to support the development of this sector and increase its rate of growth. Our presentation today is based on the brief we sent to you on August 3.

First, we will talk about safety nets for sustainable growth. When we talk about safety nets, we mean risk management programs for agricultural businesses. Those programs are the basis for growth in the agricultural sector. The insecurity related to the current market environment—including the concessions for the dairy sector made under the recent United States-Mexico-Canada agreement, but also the effects of tariffs being imposed, for example, between the United States and China, which significantly affect the price of pork and grains—justifies more than ever the need for business risk management programs that address the real risks faced by agricultural producers.

We would like to remind you that, since the implementation of risk management programs under the first agricultural policy framework in 2007, and the last year of growing forward 2 in 2017, program payments have decreased by 40%. Over that same period, farm cash receipts have increased by more than 60%.

These observations, shared by all stakeholders during the consultations surrounding the adoption of the latest strategic framework, the Canadian agricultural partnership, must be reflected in government policies and budgets.

We ask the federal government to provide access to risk management programs tailored to the needs of agricultural producers, to provide proportional increases to the budget of Agriculture and Agri-Food Canada, including the risk management program envelope, that reflect the growth of the agricultural sector. We also ask that it quickly put in place programs to fully compensate Canadian dairy producers following the concessions set out under the United States-Mexico-Canada Agreement, as announced by Prime Minister Justin Trudeau.

The second point we would like to present to you today is the harmful impact of amendments to the Income Tax Act on shareholders of private companies that do not have the status of agricultural cooperatives. Some agricultural businesses join forces to improve the marketing of their products by processing and distributing them, in order to deal with competition from the major players.

To do so, they become shareholders in a company whose marketing activities are similar to those of an agricultural cooperative. These groups are not created as a way to increase access to the small business deduction (SBD).

We are asking the federal government to allow these joint-stock agricultural companies to have access to the SBD on their sales made to the group, as is the case for sales made to an agricultural cooperative.

The third point also deals with risk management programs. The agricultural sector is taking proactive action on climate change—we are the first to experience it directly—and societal expectations. One of the winning conditions for sustained growth in agriculture and its benefits is adequate protection through risk management programs, as mentioned above. It is therefore essential that these programs be improved to address climate risks.

The response to natural disasters must be consistent across the country. In recent years, differences between provinces have created unfair competitive situations.

Societal expectations must also be met, which, for farmers, often means changing their practices and making additional investments. These expectations, which affect animal welfare, the use of inputs and the conservation of resources and the environment, are taken seriously by agricultural producers, even if meeting them requires significant investments.

Markets rarely reimburse such investments, however.

● (0935)

We are asking for the necessary funds to meet the producers' needs during natural disasters and to ensure that the programs put in place are uniformly applied; to fund projects and tools to improve the management of climate risks for farm businesses; and to support the necessary investments for adapting to societal expectations that significantly change practices, such as those related to animal welfare and the environment.

The last point is about the next generation of farmers, which affects all Canadian businesses. If we still want agriculture to exist, intergenerational transfer must be facilitated. We therefore ask the government to exclude from the anti-avoidance rule in section 84.1 of the Income Tax Act the transfer, under certain conditions, of a taxpayer's shares to his or her child or grandchild.

Finally, in the agricultural sector, the cost of assets is extremely high. The cost of land has become a major issue when it comes to transferring to the next generation. In 2016, the average value of the land held was $2.1 million per farm or 68% of total assets.

We therefore ask that the federal government take the following measures: ensure that risk management programs provide a sufficient safety net to allow the next generation to access the necessary funding; reduce participation costs and provide a higher rate of government contribution to risk management programs in the early years of operation; offer a refundable tax credit of 40% of the interest paid by the transferee to the transferor through a seller-lender agreement; and create incentives for financial institutions and governments to provide patient capital for next-generation farmers.

Thank you.

[*English*]

The Chair: Thank you very much, Ms. Bouffard.

Before we start, Mr. Julian managed to get here from Ottawa after leaving us in Saint John last night.

Peter, do you want to introduce yourself and tell us where you're from?

[*Translation*]

Mr. Peter Julian (New Westminster—Burnaby, NDP): I apologize for being late. I left Ottawa at 5 a.m. this morning to come to Quebec City.

My name is Peter Julian and I am the member for New Westminster—Burnaby, British Columbia. I am extremely happy to be back in Quebec City.

[*English*]

The Chair: Thank you, Peter.

We'll start with Mr. Fergus.

[*Translation*]

Mr. Greg Fergus: Thank you very much, Mr. Chair.

Once again, my thanks to all the witnesses who have come here today to share their recommendations for the upcoming federal budget.

I would like to start with the people from the Association pour la recherche au collégial. My questions will also touch on what Ms. Déziel's said.

I must admit that I'm particularly interested in this issue. Before I became a member of Parliament, I worked for the Association of Universities and Colleges of Canada for four years. I'm really interested in what you said about college research. The problem that has been going on for 12 years now has to do with the indirect costs of research.

Mrs. Lapostolle, I would like to give you the opportunity to further elaborate on this for the benefit of my colleagues around the table.

Here is the real problem. In many other countries, whether in the United States, Europe or Asia, governments subsidize the indirect costs of research, whereas in Canada, this is not the practice. Year after year, you are encouraged to do research, but the government does not cover the costs needed to carry out those research projects.

I come from the Quebec college system. Can you tell us how much it costs you per year?

● (0940)

Mrs. Lynn Lapostolle: In terms of university teaching, we mentioned the research support fund, which sends money back to universities. Direct costs are also paid by the Government of Quebec. The program provides funding to cover research facilities, research resources, management and administration of research activities, regulatory requirements and accreditation standards, intellectual property and knowledge mobilization.

At the college level, the fund provides very limited resources to colleges because the rate used to calculate the amount an institution can receive is proportional to the sum of the grants received from the three research councils. My colleague gave you some figures for 2016-2017: the total amount paid to college institutions in Quebec is only $233,487. Much of the research done in colleges is funded by a program that the Government of Canada put in place about 10 years ago, which the colleges greatly appreciate. Ms. Déziel also mentioned it. It's the college and community innovation program (CCI). More recently, the government also established the social innovation fund for colleges and communities.

Those two programs are excluded from the research support fund. An amount of 20% can be included. We mentioned it, and so did Ms. Déziel. However, that's not enough. All the things I mentioned earlier that are covered by the research support fund—

Mr. Greg Fergus: It's the same percentage for universities. It's still 20%.

Mrs. Lynn Lapostolle: In Quebec, it's 27%.

Mr. Greg Fergus: Yes, but it's not enough.

Mrs. Lynn Lapostolle: It's not enough.

Given the structure, the architecture, the programs, but also the research in colleges, we receive too little money. Colleges do not receive funding for the indirect costs of research, which would allow them to support its development. This would allow them to work better with the companies that use their services, which are often referred to as very small businesses, or small and medium-sized businesses that need to work with colleges to be supported, even through partnerships. They do not have the resources for that themselves.

Mr. Poulin, would you like to add anything?

Mr. Robert Poulin: No, you said it best.

Mr. Greg Fergus: Very well. Thank you very much, Mr. Poulin and Mrs. Lapostolle.

Mr. Patry and Mr. Bélanger, thank you for your comments on the tornado in the Outaouais. I very much appreciated them. We also appreciate the work of many of the unions you represent in helping us deal with this situation.

I was very interested in your suggestion about the tariffs imposed by the United States on Quebec aluminum products, and the issue of dairy products under the agreement between Mexico, the United States and Canada. You said it was possible that other people might talk about it. I imagine that Quebec dairy farmers will be making a presentation soon.

I would like to hear what you have to say on what *L'actualité* published yesterday or the day before yesterday, on class 7 diafiltered milk.

Do you have any comments on that? Perhaps you don't.

Mr. François Bélanger (Union Advisor, Labour Relations Services, Confédération des syndicats nationaux): I believe you are referring to the milk proteins sold for industrial use.

● (0945)

Mr. Greg Fergus: Yes.

Mr. François Bélanger: We do not really work in the farming sector. We work more in food processing. We are not following that issue very closely.

However, I can tell you more about the tariff on aluminum.

The issue of the 10% tariff on aluminum has not been resolved by the agreement. As we understand it, the parties have given themselves about 60 days to reach an agreement. That agreement could take the form of a quota on aluminum exports. Everything still has to be confirmed. Clearly, it is a great concern for people in Quebec. It must be said that aluminum production in Canada is basically concentrated in Quebec, with the exception of the aluminum smelter in Kitimat, British Columbia.

That poses a problem, even for the Americans, because 97% of the American aluminum industry is in secondary and tertiary processing. Not a lot of large aluminum smelters are left in the United States. Alcoa's main smelters in North America are located in Quebec. So it is important for governments to make sure that the quotas do not limit exports to the United States too much, because that would not be in the interests of the American industry either.

Right now, companies involved in secondary and tertiary processing are complaining about the price increases that the tariff is causing. Their costs are going up and their profits are going down. Somewhat like the automotive sector, the aluminum sector in North America seems to be integrated, and we have to get our trading partner to understand that.

As for milk and milk proteins, I will let the UPA representatives give you the answer.

Mr. Pierre Patry: I would just like to add a word on supply management. We represent about 2,000 workers in the food-processing sector, making yogurt and other products, who may well be indirectly affected by the supply management issue. That's the first thing.

The second thing is that it may have repercussions on a lot of regions of Quebec because many of them depend on agriculture. We all depend on agriculture to put food on our tables, but there are regions where the economy depends on it directly. We have to be very careful, I believe.

Earlier, the UPA mentioned that they want compensation programs in response to these very recent negotiations. We at the CSN are in complete agreement with that.

Mr. Greg Fergus: Do I have any time left, Mr. Chair?

[*English*]

The Chair: No. You're way over.

Madam Alleslev, go ahead.

[*Translation*]

Ms. Leona Alleslev: Thank you very much.

My questions go to Ms. Bouffard.

Thank you very much for your excellent presentation. It contains a lot of recommendations.

I would like to explore three issues: first, the effects of the carbon tax and your recommendations on the matter; second, the effects of climate change and your recommendations on the matter, and third, transferring agricultural companies to the next generation.

First of all, you have a number of recommendations about the carbon tax. Can you provide a more detailed explanation of the real consequences of the tax, and what your recommendations are?

Ms. Isabelle Bouffard: I know there are ongoing discussions. I will try to explain clearly what this is all about. A bill has been introduced at the federal level to ensure that the provinces that do not have a carbon pricing system in place are subject to the Canadian program. What we are realizing is that, in the provinces with a carbon tax, and even the federal bill provides for the same thing, the agricultural sector is exempt from the carbon tax. Therefore, there are no additional costs for fuel.

What is special about Quebec is that we are already subject to a tax. Quebec has decided to show leadership in carbon pricing, and farm businesses pay a tax through the fuels they buy.

I went a little faster over that part of our brief, but what we are calling for is a federal compensation program to ensure inter-provincial fairness. Quebec grain or hog producers share the same market as other farm businesses in Canada. This tax requires substantial payments. We are therefore asking that a federal program be created.

We are also asking for support to develop and implement offset credit protocols tailored to the agricultural context. There are credit protocols in other sectors, but the agricultural sector is complex. There are very few existing protocols for the agricultural sector, and if we are subject to this pricing, there should be protocols tailored to our industry.

We also recommend approaches that encourage the participation of small companies in the carbon market. As you know, it is extremely expensive to join the carbon market system. In particular, financial audits must be carried out. For an agricultural company, this is very expensive. We are asking that farm businesses be able to form groups to participate in the carbon market.

Those are basically our recommendations for the carbon sector.

● (0950)

Ms. Leona Alleslev: Are the impacts significant, compared to other provinces?

Ms. Isabelle Bouffard: In Quebec, we have estimated that the annual price on carbon is from $2,000 to $2,500 for a field crop company, meaning grain. This is a recurring cost that goes up every year, since the goal of the carbon market is to go up. Ultimately, the costs will be $2,500, $3,000 or $4,000. One company has to cover those costs, while another company does not.

Ms. Leona Alleslev: Second, I would like to talk about the effect of climate change. What are your recommendations on that?

Ms. Isabelle Bouffard: Everyone has to deal with climate change. Last week, we met with the executive directors of the Canadian Federation of Agriculture. All of Canada, and not just Quebec, has experienced drought and heat waves this summer. Agricultural producers are the first to be directly affected by climate change. Extreme events will keep happening at a faster rate.

This affects crops, animals and access to water. Some farms in the Lower St. Lawrence no longer had water for their herds. They would dig a second well and not find water, then they would dig a third well. Climate change is having a significant impact on the agricultural sector.

In this context, we are asking the government to ensure that the necessary funds are made available to producers to meet their needs during natural disasters.

What we found is that the federal AgriRecovery program may apply in one province, but not in another. Let's take the example of apple fire blight. Producers in New Brunswick were able to use that program, but those in Quebec, whose apples were also affected by the disease, did not have access to it. When dealing with the same problem or disease, all producers should have access to the program, regardless of the province.

Funding should also be provided for projects and tools to improve the management of climate risks faced by companies. Companies will have to adapt, they have no choice. To prepare for those changes, analysis is required. In Quebec, we explain to producers what climate change is, what the future holds and how they need to change their business. However, money must be made available to help companies.

I am talking about climate change, but there are also all the various societal expectations. For example, we are hearing more and more about animal welfare. Investments must be made for that. The same is true for us in agri-environment. If we want to evolve to better meet society's demands, we must have the necessary funds. In the market, farmers never get back the money invested. Even if I raise free-range hens, I will get the same price for the eggs. There is no added value. This is important to us.

Ms. Leona Alleslev: How much do you need, approximately? What could the government do to improve the situation?

Ms. Isabelle Bouffard: Are you talking about money?

Ms. Leona Alleslev: I'm talking about money, either as percentage or as an approach. How do we determine the needs?

Ms. Isabelle Bouffard: We haven't done the math. All we can tell you is that the Canadian policy framework, the new Canadian agricultural partnership, has had the same envelope since 2007. In real dollars, that's abject poverty.

I am not saying that the government is not investing in this area, but that it is investing significantly less than before. We are asking the government, at the very least, to index the amounts. There are already programs in place, but their envelopes need to be increased, especially since the government says that agriculture is a key sector for the Canadian economy. We must invest in agriculture.

Ms. Leona Alleslev: Absolutely.

Third, I would like to talk about the transfer of farm businesses to the next generation. You recommended changes to the tax system and incentives for financial institutions.

● (0955)

Ms. Isabelle Bouffard: In terms of taxes, I will let my tax colleague answer. I asked him to come with us for that very purpose; I'm glad he's here. Just beforehand, however, I will respond quickly to the other points.

As for the next generation of farmers, the first few years when a company starts up are critical. Let me remind you that the funds allocated to the business risk management programs have not gone up since 2007. Existing programs should provide more funding to young farmers or reduce their costs. Those programs should specifically be able to adapt to situations that may arise in the first five years. If anything really bad should happen, companies would be better protected financially. The fees to access the program should also be lowered. Basically, our recommendations are about that.

There is also the issue of access to land. Agricultural assets are extremely expensive. We ask that incentives be created so that financial institutions and governments provide patient capital. This does not mean that the next generation will not repay it one day, but could they wait five or 10 years before starting to repay the capital? Those are the sorts of things we wanted to talk to you about today. We must begin to raise awareness among financial institutions and governments.

As for the other part of the question, regarding section 84.1, I will let Mr. St-Roch answer it.

Mr. Marc St-Roch (Coordinator, Accounting and Taxation Service, Direction recherches et politiques agricoles, Union des producteurs agricoles): Good morning, everyone.

In terms of the intergenerational transfer, under the Income Tax Act, when individuals sell shares from their own incorporated company to a company with which they have a relationship, for example, if parents sell their shares to one of their children who owns a company, the proceeds of the sale are not considered to be a taxable capital gain. However, it becomes a taxable dividend for the seller. If that person instead sells the shares to an arm's length company, such as a neighbour, the income for the seller retains its status as a capital gain. In this case, they can take advantage of the capital gains deduction, which is available for certain assets, including company shares and farm property.

Family transfers create inequity. You can't do the same thing if you sell your shares to your own children or if you sell them to strangers. Some tax benefits granted to shareholders when they sell their business are not available when it is a real family transfer. That's how it works in agriculture. That is why we ask that the provision not apply to real transfers between members of the same family, between relatives.

[*English*]

The Chair: Thank you.

We will turn to Peter Julian, for seven minutes.

[*Translation*]

Mr. Peter Julian: Thank you very much, Mr. Chair.

My thanks to all the witnesses. It's very interesting.

I have a lot of questions. I'll start with you, Ms. Bouffard.

You talked about the business risk management programs, which do help farmers when they are hit hard. However, we heard people say that the agreement signed this week was going to be catastrophic for many people in the agricultural sector.

Do you think the next budget should include emergency measures to help farmers, especially dairy farm owners, when they are hit hard, and the agreement that has been signed is one of the blows?

I would like to know whether the UPA is of the opinion, as many stakeholders are, that this agreement is catastrophic for all farmers and for supply management.

Ms. Isabelle Bouffard: I will answer your first question, but I will first rephrase it to make sure I have understood what you asked me. You want to know whether the next budget should already provide for compensation programs.

Let me give you an example. Since the agreement was signed, which took place overnight from Sunday to Monday, or at least very late on Sunday, agricultural producers have been concerned. Already, some of the new members have decided or are in the process of deciding to leave the agricultural sector. Farms have been worried before. Remember, there were a number of other agreements. The cumulative effect must be taken into account. There was the CETA, with Europe, and the CPTPP, with Asia-Pacific. Now we're adding another layer. We have to keep in mind that, initially, the United States was supposed to be part of the CPTPP. They would have had access to 3.25% of the market, and now we are at 3.59%.

To answer your question, we do believe that assistance programs should already be included in the next budget. We must send a strong message to the agricultural sector. Prime Minister Trudeau was talking about full compensation. That's where we are at now. We have already given; we have already passed "Go". Once again, the final agreement was made at the expense of supply management. If we want family farms to survive—remember that in Canada we are talking about family businesses, not multinationals—we must include money for that purpose in the next budget.

Is it catastrophic? The cumulative effect makes it so. Market after market is opening up. In the long run, our companies are losing significant market share. We are in the process of analyzing the texts. I won't hide the fact that we haven't finished our analysis. There are market openings, but there are also milk classes. For example, there are classes 6 and 7. This is a loss for producers. We have to see what will happen, but our first analysis shows that it will be very difficult for the Canadian dairy sector.

● (1000)

Mr. Peter Julian: Thank you very much.

I will now go to Mr. Patry and Mr. Bélanger.

Thank you for mentioning the whole Kinder Morgan issue. I come from British Columbia and I can tell you that most people there are concerned not only about the project's impact on the environment, but also about its negative impact on the economy. This project threatens jobs in the tourism sector and in the fishing industry, among others. It's huge. The fact that you mentioned it is most appropriate, given that the budget is coming up.

In your opinion, instead of spending $15 billion to buy an old oil pipeline that leaks everywhere, it would be better to invest in green energy, renewable energy, which is the way of the future. Is that correct? That's my first question.

In addition, in your brief, which is a very good document, you mention the need to redefine competitiveness in Canada. You talk about our health care system and the fact that it gives a competitive advantage to our Canadian companies, since they do not have to bear the costs of it, unlike our U.S. competitors. Could we say the same about a national drug plan or a child care program? Would all those factors contribute to how competitive our companies are?

Mr. Pierre Patry: I will answer the first question, and Mr. Bélanger will answer the second.

With regard to Kinder Morgan and, more generally, the fight against climate change, we only have to look at the summer we have just had. You may say that it's only one summer, but the series of natural disasters we are experiencing proves that the problem of climate change is real. If we don't address the issue, humanity's very survival will be threatened.

We were delighted when Prime Minister Trudeau went to France in 2015 to approve the Paris Agreement, which agrees to limit global warming to 2 degrees Celsius compared to pre-industrial levels and, if possible, to 1.5 degrees. Indeed, even a 2 degree increase would begin to be catastrophic. However, we are almost at 2 degrees today, or maybe 1.5 degrees. In any case, the global temperature is already more than 1 degree higher than in the pre-industrial era. So there is an urgent need for action to combat climate change.

We were pleased that the Trudeau government signed the Paris Agreement, but the actions it since then have been inconsistent. The government and the National Energy Board were rebuffed by the Federal Court of Appeal because they hadn't adequately consulted the various communities in British Columbia affected by the project, including the indigenous communities. So action must be taken on this issue. Further consultations are needed, and we hope they will be conducted correctly so that we can know the truth.

We fundamentally believe that we must slowly abandon oil in favour of renewable energies. I think Canadians have a strong interest in doing that.

I will let Mr. Bélanger answer the second question.

● (1005)

Mr. François Bélanger: Your second question was about taxation, wasn't it?

Mr. Peter Julian: My question was about the elements that increase the competitiveness of our companies, such as investments in health, pharmacare and child care.

Mr. François Bélanger: In our brief, we drew a parallel with U.S. tax reform. The United States has decided to adopt much lower tax burdens in the hope of stimulating investment. However, many economists and thinkers in Canada believe that we should do the opposite. In any event, a comparison of the governments, provinces and federal taxes of the two countries shows that tax reform in the United States has put American companies on equal footing with Canadian companies in terms of their taxation.

So we should instead focus on the factors in our brief. With a highly developed public health system in Canada compared to the United States, the costs to Canadian companies are significantly lower. Here, health-related costs represent 4% of business spending, while in the United States, it is more like 20%. From a strictly accounting point of view, we have a competitive advantage in this area.

Another advantage that is more difficult to measure but equally important, is that health care provided to Canadians, including workers, is fully covered, which isn't the case in the United States. As we have seen, the Americans were forced to establish Obamacare. With the American tax reform, we now fear that the Republicans will come back and try to weaken this system, which would cause a large part of the American population to lose their recent health gains.

Canada is also competitive in other respects, such as through more proactive investments and the use of renewable energy. We saw in the current government's last budget that it had adopted a more proactive approach than the previous Conservative government, in particular by setting up certain industrial clusters in sectors of the fourth industrial revolution.

We can do a lot. We could invest in education and training of the labour force. As we said in our brief, we must continue to be a welcoming place for immigrants, which currently distinguishes us somewhat from the Americans. This is a very positive elements and an important solution to the scarcity of labour and the lack of workers in Canada and Quebec. These are factors that must be emphasized.

According to the Trump government, U.S. tax reform was expected to attract major investments. In the short term, however, this isn't the case. It hasn't let to increases in workers' wages in the United States, either. For the time being, this reform has only resulted in the repurchase of shares by some American companies and additional dividend payments, which benefits the managers and investors of these companies, but represents no gain for the middle class or for workers.

The measures we are recommending are pretty much in step with those proposed by the government's Advisory Council on Economic Growth, which is chaired by Dominic Barton, if I'm not mistaken.

[*English*]

The Chair: Yes, it's Dominic Barton, the Barton committee.

[*Translation*]

Mr. François Bélanger: All of these proposals converge. We recommend many specific elements that are more effective in reviving and supporting the Canadian economy, including, of course, the provision of public health and education services since we are in a mixed, private and public, economy.

Those were our comments on that.

[*English*]

The Chair: We'll have to end it there. We're well over on our first round. It's all over the place.

Before I turn to Peter, I want to come back to this question between Mr. Julian and the UPA on supply management and the new NAFTA. Three witnesses here have mentioned the impact on the farming sector: the chamber, the CSN and the UPA.

Ms. Bouffard, you talked fairly extensively about the compensation needed for the dairy industry. Let's keep in mind that it's not just dairy. It's dairy, poultry, eggs, hatching eggs, and turkey. There have been concessions on all five.

In my personal point of view, compensation would ease the pain of the concessions that were made for the country as a whole, but how do we establish a secure foundation under the supply management system going forward so it's there for future generations? I think that's the critical question. The Prime Minister and others have said there will be compensation, and I support that 100%. But how do we secure the supply management industry—which, in my view, is a model for rural development that the world should look at—going forward into the future?

Greg came over to chat for a minute. I recognize there's a cumulative effect of CETA, TPP-11, and this. With TPP-11, the 3.5% might not be all taken up because it was a concession to the United States in that discussion and then Trump withdrew from the arrangement. It may or may not be all taken up.

Do you have any suggestions on how to secure the system going forward, beyond the compensation? I drove through Quebec this summer, coming from a national rural caucus meeting we had outside of Montreal. If there's any place in the country where you go through a community with farm after farm after farm, it's in the province of Quebec. I, for one, don't want to see that kind of industry undermined.

Do you have any suggestions on how we can secure that system going forward?

● (1010)

[*Translation*]

Ms. Isabelle Bouffard: I'm an agro-economist, and I am convinced of the value of supply management. I have worked at the Union des producteurs agricoles for several years, and I consider it a great system. Some economists claim that consumers pay more, but we have seen that, in countries where such systems have fallen, consumers never benefited from the price reduction for agricultural producers. The supply management system is not that expensive. That's not a large proportion of the cost of the product, but we have quality milk, poultry and eggs. And they are produced by family businesses. The fact that we have family farms is a societal choice. I believe in this choice.

You're asking me what to do, and I'm telling you that we must stop granting market openings. This happens with each negotiation, and some are ongoing, such as those of the Association of Southeast Asian Nations, or ASEAN. There are other negotiations where this happens because Canada is an exporting country. We understand that, but everyone has sensitive products. The United States and Japan have them, but they never put them on the table for negotiation. We have asked that this be stopped on several occasions. You're asking me what to do, and I'm telling you that we need to stop putting these sensitive products on the table. They must no longer be the subject of negotiations. They must be considered non-negotiable.

You are talking about the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or CPTPP. If the United States ever participates again, it will have access to it, given that it is a proximity agreement, as well as to the U.S.-Mexico-Canada Agreement. They will therefore have broad access to the Canadian market. I'm simply telling you that we must stop putting this on the table. It must be non-negotiable from the get-go.

[*English*]

The Chair: There is one point I'd make on the U.S. coming back into TPP-11 or CPTPP, whatever you want to call it, which is that every country has to agree how it signs in; it doesn't come in with a new negotiation. My position would be—and I don't know if it will be the position of the Government of Canada—that there be no more concessions to the U.S. in terms of access. We gave them 3.59% now. They were offered 3.25% under CPTPP and we don't need to regive that up. That would be my decision.

Anyway, I'm getting into the debate.

Mr. Fragiskatos, go ahead.

● (1015)

Mr. Peter Fragiskatos: Thank you, Mr. Chair.

[*Translation*]

I would like to thank all the witnesses for their work and their presentations.

[*English*]

I would like to begin with Mr. Patry and follow up on what we just heard on pharmacare. Your brief does indeed redefine competitiveness and what competitiveness ultimately means. It's not just about tax cuts. It's not just about doing away with red tape. It's about moving forward with progressive policies.

You pointed to pharmacare. Our government has indeed launched an effort to better understand how pharmacare can be introduced in this country. That's no surprise. We were the party that put on the table and introduced public health care in Canada. I really think there's great promise here with pharmacare. I indeed do think that it would make us more competitive. I think it's something that not just the Canadian population is looking for, but Canadian businesses also, because of all the consequences that come from pharmacare. There are the cost savings. Also, when you have a healthy population, you have a productive population.

I want to shift away from pharmacare and look at immigration.

Mr. Bélanger, at the end of your remarks you spoke about immigration, but I wonder if you can tell us a bit more, from your perspective and from your organization's perspective, about the tie between competitiveness and immigration. For example, you talked about how, if we're going to grow our labour force, we have to look to immigration. Our government has indeed increased the number of immigrants who are coming to Canada, specifically economic immigrants, but I wonder if you could go into that discussion a little more on the tie between competitiveness and immigration and tell us any further thoughts you might have.

[*Translation*]

Mr. François Bélanger: This isn't an area I deal with regularly.

In fact, the government has increased its immigration thresholds. At the CSN, we consider immigration to be one of the avenues for addressing labour shortages in certain economic sectors.

We mustn't simply increase the thresholds. We also need to ensure that newcomers can integrate properly. This requires training programs that are adequately funded. In the case of Quebec, workers must be able to work anywhere in the province, and not just in the areas of Montreal where people work more in English. French-language programs need to be funded. Of course, that is more a matter for the Government of Quebec. We have to do our part too. It hasn't always been perfect in Quebec in this regard, as we understand it.

Immigration should not be seen as the only solution to the problem of the labour shortage. There are existing labour pools in Canada and Quebec that must be mobilized. I am talking about people who have moved away from the labour market, such as women with children, indigenous people and older workers who have been unemployed for a long time. Many groups can be mobilized to meet labour force needs. Immigration is part of the solution and a source of wealth.

Mr. Pierre Patry: If I may, I would like to say something about pharmacare, since you mentioned it.

The CSN wrote a brief, and there was a consultation recently on the topic.

We agree on establishing a universal drug plan. In fact, Quebec has already taken the lead by introducing a mixed system. The limits are respected. Under the Quebec system, people who have access to an insurance policy must be reimbursed by their insurance company, and those who don't have access to an insurance policy come under the public system. It's kind of a two-tier system.

We have a universal drug plan. That being said, it will be necessary to ensure respect for provincial jurisdiction, because health is a provincial responsibility. A right of withdrawal with full compensation must be obtained if a program can be set up that achieves the same objectives as those defined by the federal government.

[*English*]

Mr. Peter Fragiskatos: Thank you, Mr. Patry.

In the interest of bringing people together, Mr. Paradis, in your presentation you pointed to immigration as very important for Canada's economic success, and specifically for our competitiveness. I wonder if you have any further thoughts on what we have heard.

● (1020)

[*Translation*]

Mr. Michel Paradis: Thank you for your question.

I'll speak to the situation in the National Capital Region. We are currently experiencing a fairly significant, if not very significant, labour shortage. An unemployment rate of 3.8% is excessively low. The problem isn't creating jobs, but filling available positions.

Working together is necessary to ensure that there are more incentives to distribute immigrants who come to settle in Quebec more equitably. As I said earlier, the population of the National Capital Region represents about 10% of Quebec's population. In 2017, 6.7% to 7% of these same immigrants settled in our territory.

I think incentives should be put in place, if only to respect the demographic representativeness of the different regions, to facilitate the retention of these immigrants and to optimize the attractiveness of our region. In recent weeks, community leaders here have advocated francophone immigration.

What particularities could we look into? Are there any collaborative or modulating initiatives that could be put in place? From a perspective of collaboration between the different levels of government, we believe that this would be strongly considered.

In answer to your question, I would say that immigration to the National Capital Region could greatly assist in addressing competitiveness issues.

As mentioned earlier, it may be appropriate to consider measures to allow seniors who wish to remain in the labour market to do so, without being penalized for tax purposes. Such measures would be very interesting. I just want to say that people aged 60 today, in 2018, do not necessarily look like people who were 60 in 1950. Unfortunately, we may be depriving ourselves of extraordinary talents and skills that would be beneficial to our companies.

Immigration is good, but other alternatives could be considered.

[*English*]

The Chair: We'll have to cut it there and go to Mr. Kelly.

Mr. Pat Kelly: Thank you.

Madam Bouffard, in your opening statement you mentioned tax evasion and avoidance as a concern, if I recall. In one of your recommendations, you talked about offshore evasion. Perhaps it was a different panellist, but I'll put it out there as an issue. It's a competitiveness issue. It's a vexing one, in that everybody agrees that avoidance and evasion are unfair, and we all in Canada believe that everyone should comply with the law on taxation. Yet it seems to be a very difficult one to tackle. The present government made a number of promises and some very bold statements early in this Parliament about its desire to crack down on offshore evasion and avoidance, but there really hasn't been any evidence of significant progress in that area.

Monsieur Paradis, I'll let you take the question, then.

[*Translation*]

Mr. Michel Paradis: Thank you for your question.

What I talked about wasn't necessarily tax avoidance, but rather the idea of tax fairness. It was the particular case of e-commerce. We heard, in particular, about the comments of an economic leader in our community, Peter Simons. Mr. Simons said that in terms of online marketing, he was penalized compared to merchants in other countries, given that some foreign products sold online were not subject to GST and QST. In such a context, we are talking about an inequity that affects the competitiveness of our companies.

I'm not an expert in this field. Still, research has shown that some countries have adopted policies. If you like, we can discuss it and send you a list of what has been done. However, it must be admitted that, as part of the OECD recommendation, the OECD recommended that suppliers should be those that levy the tax in the country where the product is purchased. Economic leaders in our community have repeatedly said that there is absolutely no equity in this regard. This comment is addressed to both the federal and Quebec governments.

We therefore hope that the two levels of government will work together to find a solution to this dilemma, which will become more and more problematic. E-commerce is growing rapidly, to avoid using other adjectives. This is a very important issue. I reiterate that, for our part, we will pay particular attention to the initiatives that will be implemented in the next budget.

● (1025)

[*English*]

The Chair: Okay.

Mr. Patry wants in for a second as well.

[*Translation*]

Mr. Pierre Patry: This is an issue that we also addressed in our brief. Mr. Paradis has just touched on what we might call new realities. For our part, we did not understand the government's position not to tax Netflix, while other Canadian companies have to pay these taxes. Netflix is not an SME. It is able to pay its taxes. Fundamentally, tax fairness is a democratic issue.

There is also the question of new realities and the fact that we are depriving ourselves of a huge amount of money that ends up in tax havens. We raised some points in our brief. We believe that the federal government is capable of taking action. Some measures, which are within reach, would mean that these considerable sums would go to public services and social programs. This would ensure the well-being of Canadians, but also economic development, as mentioned earlier.

We consider it essential to review the tax system to ensure that it is fair and that we can get the income where it is, but also to be able to face new realities, particularly that of e-commerce.

[*English*]

The Chair: Okay.

Go ahead, Mr. Sorbara.

Mr. Francesco Sorbara: Thank you, Mr. Chair.

[*Translation*]

Thank you and welcome.

[*English*]

I will speak English, because the time is short.

I will start with the Quebec chamber of commerce.

Welcome.

In the area I represent, we need immigration.

We need immigration because we don't have enough workers. We have a low population growth rate in Canada, a low birth rate. Many people in Canada are above 65 and below 15.

[*Translation*]

From what I understand, Quebec is in the same situation, and also needs labour.

[*English*]

How important is immigration to filling Quebec's labour needs, specifically in the region of Quebec City?

[*Translation*]

Mr. Michel Paradis: I will reiterate some elements.

Quebec has one of the lowest, if not the lowest, unemployment rates in Canada. Our companies, unable to find an appropriate workforce, are wondering whether they should reduce shifts and are asking themselves these kinds of questions. We are hearing more and more about this issue.

To answer your question, I repeat that immigration is a very good way to remedy this situation. However, we believe that you should never put all your eggs in one basket, and find other solutions in your own community. The word "old" is very relative. There are people about to retire who are still full of energy and who still want to get involved in their community. Consideration should be given to adapting the tax system accordingly.

● (1030)

Mr. Francesco Sorbara: Thank you for your answer.

I will now address the representatives of the Union des producteurs agricoles.

Your brief on the budget contains several recommendations.

[*English*]

If I'm not mistaken, there are about 12 or so.

Pardon me?

[*Translation*]

There are 16, I'm told.

[*English*]

Oh, it's 16.

When we go through the recommendations, we sometimes don't draw 16 recommendations. Could you choose your top three? There is one specifically, I think it's number 13, with regard to the Income Tax Act.

Sorry, it's number 12. I think that relates to transitioning farms or businesses from one generation to another.

[*Translation*]

Is that right?

Mr. Marc St-Roch: Yes. Are you talking about farm transfers?

Mr. Francesco Sorbara: Yes.

Mr. Marc St-Roch: Right.

[*English*]

Mr. Francesco Sorbara: Would that be one of yours, out of these 16 recommendations?

Mr. Marc St-Roch: It would be one of the top ones, yes.

[*Translation*]

This is very important for us. The average age of farmers is increasing, and the transfer of farm businesses is becoming increasingly important, as it is in other sectors of the economy. The current tax rules limit access to certain deductions granted in transfers between unrelated people.

We consider these rules to be unfair when a person wants to do a transfer to a family member. The majority of farm business transfers are within the same family. We would like this rule to be abolished or amended, in order to allow agricultural businesses to benefit from or have access to the tax deductions that are granted in other situations, such as sales between foreigners.

Mr. Francesco Sorbara: I agree with you. We support family farms across Canada. This is very important to me and my caucus. An MP from Quebec, Emmanuel Dubourg presented—

[*English*]

The Chair: We're done, but we're not quite done. I do have to ask CSN a question.

You talked about the black hole, and I know there are a number of regions, including Atlantic Canada, that face that problem under the employment insurance system: they really get no money for a period of time. Has the five-week pilot project that was introduced helped? It might not cover all regions in Quebec. I don't know, so one question is on that.

Second, you mentioned the steel and aluminum industry and the fund there from the federal government. Is that money getting down to the ground?

Whether it's infrastructure or anything else, you can establish money in a fund, but one of the problems the federal government always seems to have is getting the money to where it's supposed to be. Is that money getting out to the people in the steel and aluminum industries who are injured because of the tit-for-tat tariff war between us and the United States?

● (1035)

[*Translation*]

Mr. François Bélanger: With regard to employment insurance, the additional five weeks is a really interesting step forward. We are aware that all this will have an impact on some of our workers in the Gaspé and on the North Shore. I am thinking, for example, of the workers in the shrimp industry. We had the opportunity to talk to them about it.

However, the advertised criteria may have a limiting factor. To access the additional five weeks, the person must have made at least three regular EI claims in the past five years, and benefits must have been granted on the basis of a type of seasonal unemployment for at least two of these claims. We find that access to government support is a lot to ask of young workers in this industry. To be eligible for these additional five weeks, a person must have three unemployment experiences in the last five years, including two seasonal experiences. This will really help older workers in the industry, but younger workers may be left behind.

For the moment, that's what we can see with this program. Of course, this has been announced recently.

As for your second question, you wanted to know if financial assistance for steel was down to the ground. I don't know anything about that. I don't know what the situation is with aluminum either. From what we've seen in the newspapers, there doesn't seem to be much demand for this money at the moment, but I don't know any more.

[*English*]

The Chair: I know everybody has lots more questions, including myself, but we do have to end it there. Thank you very much for your presentations, as well as the submissions that have been previously forwarded. We really appreciate it.

With that, we will suspend for 15 minutes and start with the second panel.

● _____ (Pause) _____ ●

● (1045)

The Chair: Let's come to order. A funny thing about this committee is that we always seem to run out of time at the other end, so we'd better get started.

While we're waiting for a couple more members to come in, I want to welcome the witnesses. As you know, these are pre-budget consultations for the budget of 2019. For those who made submissions prior to the middle of August, we have those submissions on iPads. Members will be referring to those once in a while.

Just to give you an idea of where our MPs are from and who they represent, I'll go around the table and ask members to introduce themselves and their ridings.

I'm Wayne Easter. I'm a member of the government party. I'm from the riding of Malpeque, Prince Edward Island.

● (1050)

[*Translation*]

Mr. Pat Kelly: Good morning, everyone.

I'm Pat Kelly, and I am the MP for the riding of Calgary Rocky Ridge.

Mr. Peter Julian: Good morning.

My name is Peter Julian, and I am an NDP MP. I represent the riding of New Westminster—Burnaby in British Columbia.

Mr. Peter Fragiskatos: Good morning, everyone.

I am Peter Fragiskatos. I am the MP for London North Centre. I am pleased to be here this morning. Your presentations are very important to me and to the Government of Canada.

[*English*]

I really look forward to it, so thank you very much.

[*Translation*]

Mr. Francesco Sorbara: Good morning.

My name is Francesco Sorbara. I am the MP for the riding of Vaughan—Woodbridge, which is near Toronto. I am very proud to be here, in Quebec City, today.

Ms. Leona Alleslev: I'm Leona Alleslev. I am the MP for Aurora—Oak Ridges—Richmond Hill, which is just north of Toronto.

[*English*]

The Chair: With that, we will start.

First, from ADISQ, Ms. Drouin is Vice-President of Public Affairs.

The floor is yours. If you could try to keep it relatively close to five minutes, that would be great. Thanks.

Ms. Solange Drouin (Vice-President of Public Affairs and Executive Director, Association québécoise de l'industrie du disque, du spectacle et de la vidéo (ADISQ)): Thank you.

I'll speak in French, but surely you have translation. You also have an English version of our presentation, if you want to refer to it.

[*Translation*]

Good morning.

Thank you for this invitation to appear before the committee today.

My name is Solange Drouin, and I am the Vice-President of Public Affairs and the General Manager of ADISQ.

I am speaking today on behalf of about 250 independent entrepreneurs, who produce sound recordings, live performances or videos, who act as talent managers, and who are responsible for the production of 95% of French-speaking musical content in the country.

The independent industrial structure that characterizes francophone music production in Canada was created 40 years ago and is unique in the world. In Canada, francophone artists almost always turn to local entrepreneurs, small and medium-sized businesses, to assist them in the production and commercialization of their works.

Everywhere else in the world, music production is dominated by three multinational corporations known as the "majors": Sony Music, Warner Music Group and Universal Music Group. During the 1980s, those three majors chose to get out of our market, thus allowing French-speaking Canadian artists and entrepreneurs to create together a dynamic ecosystem, a true star system of which the local public has grown fond: a situation that should make the Canadian public proud, as well as our leaders. For 40 years, our artists, supported by these small companies, have been shining here and around the world.

Nevertheless, these majors are still very much present in our market: they are our competitors. Is it really necessary to add that they benefit from enormous resources compared to ours? It's obvious.

Even if the whole musical world has been in turmoil for more than 15 years, independent companies are much more vulnerable to the transformation of the competitive music market. While we were operating in a historically unequal market, we must now deal with a market that has become unbalanced and unfair. This specificity must be taken into account in the current process.

First of all, let me make one important point: we are aware that, since coming into power in 2015, the government has made significant investments in culture. However, independent companies in the music sector, whose very first market is the important domestic market, have been forgotten. Yet there is an urgent need for action. The unfair and unbalanced market to which I have just referred threatens not only their competitiveness, but also their ability to provide the Canadian public with sustainable access to diverse, high-quality and professionally created national contents.

The facts are known and widely acknowledged: revenues stemming from album sales—both physical and digital—have been falling sharply in Quebec since 2005. Those resulting from streaming, paid by a handful of foreign companies that dominate the market, are almost non-existent. Internet service providers do not contribute to the support of the music industry, while their attractiveness is mostly based on the consumption of cultural contents. All this while the investments required to hope to make a sound recording profitable have increased since, going forward, investments must be made in two universes.

Moreover, while our industry was weathering all those storms, in 2012, the government then in power introduced amendments to the Copyright Act that have since taken tens of millions of dollars away from our industry.

Finally, federal public financing for production and commercialization in the music sector has remained stagnant since 2002-2003. Still, its leverage is necessary. Did you know that 84% of the revenues of companies on whose behalf I am speaking today are autonomous revenues?

Music is THE cultural sector that stands out because of the risk-taking of entrepreneurs. But let's be careful: in 2014, the profit margins of these companies averaged 7.4%. Public support is minimal compared to other cultural sectors, but its importance is crucial.

Over the past year, essential processes have finally been launched. We can think about the revision of three important laws in our sector, regarding copyright, broadcasting and telecommunications. This is good news. But we know that such processes will take time, a lot of time: a luxury we no longer can afford.

In order for music companies to remain in business, in the meantime, substantial and urgent funding must be provided.

● (1055)

The Canada Music Fund is being modernized. In order to maximize the impact of this modernization, we ask you to grant an additional annual emergency fund of $10 million, starting in fiscal year 2019-20, and to renew such fund until the many measures necessary for the return to a balanced, fair and viable market for music companies have been completed. This was done in the audiovisual sector last year by the Liberal government. Music faces challenges that are similar in every respect to those in the audiovisual sector, but has been facing them longer.

Cultural diversity is a principle that is dear to Canada. Content creators—artists and producers—are its cornerstones. We thank the Liberal government for maintaining the cultural exemption in the USMCA. We found out on Monday, and we were very happy about it.

When they no longer manage to make a living from their art, cultural diversity is directly threatened. This is the case today. Two years ago, our sector felt it was at a tipping point. We are dangerously approaching a point of no return. You have the power to turn us away.

Thank you.

[*English*]

The Chair: Thank you very much, Solange.

Next we have the Canadian Community Economic Development Network, represented by Mr. Toye and Mr. Gibson. Welcome.

Mr. Michael Toye (Executive Director, Canadian Community Economic Development Network): Thank you, Mr. Chair, and my thanks to the finance committee members for the opportunity to present today.

[*Translation*]

The Canadian Community Economic Development Network is a national association of community organizations, cooperatives, credit unions, foundations, municipalities and citizens that use economic tools to improve the social and environmental conditions of Canadian communities.

We have members in every region of Canada, including urban, rural, northern and indigenous communities. Mr. Kelly may be familiar with Momentum in Calgary. Cooperative development organizations, with which Mr. Fergus is very familiar in the Outaouais region, as well as the Corporation de développement économique et communautaire not far from here, in Quebec City, are also among our members.

[*English*]

Our members are community leaders moving towards an equitable, inclusive and sustainable economy that better serves people and communities facing barriers to prosperity.

An economy that fosters greater citizen engagement to create opportunities for all serves everyone better. We now have a moment when the government could dramatically scale up the impacts of these local leaders across the country through community-led social innovation and social finance.

[*Translation*]

In 2017, the Government of Canada established the Steering Group on the Co-creation of a Social Innovation and Social Finance Strategy. Following a year-long consultation process with Canadians, the government released the steering group's recommendations last August, which are presented in the booklet that the clerk distributed earlier.

● (1100)

[*English*]

Social innovation and social finance represent a growing collective awareness that the old silos separating private, public and community sectors are increasingly obsolete. Private companies, charities, non-profits, governments and individual citizens are breaking out of their historically defined roles, merging profit and purpose to break new ground, all for our greater good. We are at a tipping point, hovering at the edge of a paradigm shift that could dramatically improve the way we approach Canada's toughest challenges.

Governments around the world are harnessing this energy and investing in social innovation and social finance. We encourage the Government of Canada to join them and implement the recommendations of the co-creation steering group to enable dynamic local creativity and cross-sector partnerships that will unleash an army of problem solvers.

I'll pass the floor to my colleague Ryan Gibson, CCEDNet's past board president and Libro professor in regional economic development at the University of Guelph. He will give a few examples.

Mr. Ryan Gibson (Past President, Canadian Community Economic Development Network): Thanks, Mike.

I'd like to bring in two illustrations that highlight recommendations that we submitted for your consideration.

The first is Abbey Gardens, the social enterprise based in Haliburton, Ontario, that started in 2007. Its focus is around sustainable food production, training and education for the community and the region.

One of the challenges they face is that they have a hybrid business model that balances economic development and competitiveness with a social mandate. As such, they find themselves—much like many other social enterprises across the country—challenged by the current suite of small and medium enterprise business support programs that are offered by the federal government that may not recognize hybrid business models or may have challenges around the mandate to access that funding.

Abbey Gardens in Haliburton has been able to work with the community futures program as well as the eastern Ontario development program, but there still exist challenges for these hybrid organizations to access government funds to help them increase their competitiveness and serve their communities.

The second one I'd like to bring your attention to is the BC Rural Centre, a member of CCEDNet.

The BC Rural Centre has existed since the dissolution of the rural secretariat at the federal level to bring stakeholders together in British Columbia that are interested in rural and northern communities. These stakeholders are a community of practice that come together to share knowledge around how social innovation and social finance can be implemented in rural and northern contexts, which is fundamentally different from our urban contexts. These communities of practice bring together community members, stakeholders and indigenous leaders who are often in communities that have great distances between them. This is an incredibly important role that the federal government can take as part of supporting the social innovation and social finance strategy.

These two illustrations really highlight the need for investment in modernization of some of the small and medium business enterprise support programs offered by the federal government, and the need for supporting communities of practice and these knowledge networks to really support our rural and northern communities, and our urban communities as well.

The Chair: Thank you.

Next is the Chantier de l'économie sociale, with Mr. Martin Frappier and Ms. Laura Cicciarelli.

[*Translation*]

Mr. Martin Frappier (Communications Director, Chantier de l'économie sociale): I will make my presentation in French. If there are any questions in English afterwards, Ms. Cicciarelli will be able to answer them.

Thank you for inviting us. It is always good for us to have more opportunities to participate in discussions on different issues, especially when they are financial in nature. For our organizations, money is crucial. This is what allows them to develop.

I will first say a word about the Chantier de l'économie sociale.

The Chantier includes 7,000 social economy enterprises. Our organization is recognized as a privileged interlocutor of the Government of Quebec, under the Social Economy Act. As you know, the social economy in Quebec is at the root of an immense volume of businesses and jobs. We are talking about 7,000 entreprises and 212,000 jobs. This is still significant; it is equivalent to one in twenty jobs. The total revenue of these companies in Quebec is $40 billion.

The social economy ecosystem is very diverse. There are very innovative financial tools that offer venture capital or patient capital solutions, research and support tools. It is a very well organized ecosystem.

We will address two elements in today's presentation. Of course, there are more details in the brief we have submitted.

The first element concerns the recognition of the social economy, then I will talk about the Social Innovation and Social Finance Strategy, which we think is a very important tool that must be provided with significant resources.

In the social economy world, a key element of the discourse of the Prime Minister, as soon as his government was elected, is given great importance. I am referring here to the strategy for inclusive growth.

By inclusive growth, the Chantier de l'économie sociale means the growth and production of inclusive wealth, something that reflects on the greatest number of people. Beyond money, inclusive growth is about participation. We are therefore talking about the growth and development of organizations and companies that allow the participation of the greatest number of people.

In the social economy, it is often said that one of the characteristics of our companies is to promote the empowerment and development of people. From this point of view, it is quite important.

One of the problems we have with program administration is the knowledge of the specific characteristics of social economy enterprises. Many programmes aim to support business development, but, due to a lack of knowledge of the social economy and overly selective criteria, access to these programmes by social economy enterprises is unfortunately limited. This may also be due to the fact that the legal status does not fully meet the criteria.

To remedy this, we recommend that each department that manages programs for businesses have officials who are familiar with the specificities of the social economy, in order to fully understand what it means to deliver programs. The government could create a service that would ensure that officials are familiar with the social economy and coordinate social economy efforts.

The next year will be a pivotal time to put the social economy back on the agenda. The government's intentions were very encouraging at the beginning of its mandate, but they have not been translated into concrete action to date.

The entire Quebec ecosystem is based, among other things, on financial tools that have been structured over the years to provide special support to social economy enterprises. These financial tools come at a strategic moment of recapitalization, particularly the Fiducie du Chantier de l'économie sociale. The Government of Quebec has already made some progress by promising to participate in the recapitalization of the Fiducie. Of course, the Government of Quebec wants the federal government to do its part too. That is what we also want.

As a reminder, I would like to point out that investments in the Fiducie have a leverage effect on investments from different sources, particularly private sources, on a one-to-seven basis.

● (1105)

Each dollar invested by the Chantier de l'économie sociale Trust in a social economy enterprise means a $7 investment from other funding sources.

Of course, the trust invests not only in what I would call traditional enterprises, "classic" enterprises, but also in all sorts of new developing sectors. Recently, for instance, a student housing fund was set up, which was an innovation.

I also want to mention the Social Innovation Strategy and Social Finance Strategy. I will not repeat what our colleagues said about it, but discussions have progressed apace over the past year. We had and still have certain concerns with regard to the strategy; we would like it to meet the recommendations of the steering committee, and to see it bolstered with substantial funds.

One of our concerns, and we sincerely hope it will also be one of yours, is that existing ecosystems be respected. There are already, in Quebec and also everywhere in Canada, actors and organizations that work in the social innovation area. The social economy is entirely aligned with the social innovation perspective. It seems important to us that those actors be respected, and that we give them the means to go further and bring their projects to fruition, rather than their having to redouble their efforts.

This is true for support structures, financial support, and research as well. There are organizations in Quebec, for instance, like the Centre de recherche sur les innovations sociales, CRISES, the centre for research on social innovations, that are connected to a university, do research and deserve to be supported. The example is relevant because a few years ago the government supported the Community-University Research Alliance, CARU, which enabled an enormous number of interesting research projects in all of the regions.

Generally speaking, we would also like to see more promotion activities to reach youth through an awareness campaign on social finance, innovation and, more broadly, the social economy. We see potential in the universities and educational establishments in general. Young people are showing growing interest in the social economy and social innovation, and we think that we need to reach that important audience.

I will stop here.

● (1110)

[*English*]

The Chair: Thank you very much, Mr. Frappier.

We'll turn now to Mr. Lesage, from Collectif Échec aux paradis fiscaux.

[*Translation*]

Mr. Samuel-Élie Lesage (Coordinator, Collectif Échec aux paradis fiscaux): Thank you.

[*English*]

I'll speak in French, but if you have any questions in English, that's no problem.

[*Translation*]

My name is Samuel-Élie Lesage. I am the coordinator of the Échec aux paradis fiscaux collective, a coalition that includes Quebec unions, community organizations and student associations. We represent the 1.5 million members. As our name indicates, we are working to put an end to the scandal of tax havens, either through citizen education, popular mobilization or co-operation with elected officials.

The use of tax havens by enterprises and individuals is increasing. The data on Canadian DFIs, direct foreign investments in tax havens, are crystal clear. For instance, from 2010 to 2017, Canadian DFIs in the Cayman Islands increased by 179.8% and those in Bermuda during the same period increased by 357.5%. It is likely that these investments are not being made to fund the real economic activities in those countries, but to reduce taxes paid here. We also know that in the main, large businesses and wealthy individuals are the ones who use tax havens. Finally, recent media revelations in Canada regarding tax havens, such as the Paradise Papers, Panama Papers, the KPMG affair, and many others, have undermined the population's confidence in Canadian tax authorities, and also, more broadly, in the tax regime in its entirety.

To re-establish the confidence of the population in the Canadian tax regime, but also to restore fairness among all taxpayers, individuals and corporations, it is essential that the issue of tax havens be tackled seriously. For some years, the Canadian government has responded to the growing indignation by making a few legislative adjustments and by cooperating with OECD countries on base erosion and profit shifting, or BEPS. That is good, but it is nevertheless clearly insufficient. The government has to make significant legislative changes to prevent businesses and wealthy individuals from using tax havens to avoid paying tax, and to put an end to the banking secrecy that protects offshore investments.

In keeping with the theme of these consultations, there are three reasons behind our arguments. First, if public services and social programs are to be funded adequately, taxes must be remitted in full, as they fund a large part of public services. These services make it possible to train and care for competent, highly qualified workers who have considerable spending power, which is of course advantageous for the growth of businesses. Public services also reduce socioeconomic inequality and mean that all citizens can be integrated into social, political and economic life. Increased revenues will allow the state to conduct structuring projects and to maintain and modernize infrastructure. In short, public services that are well funded by tax contributions that are fully paid are conducive to sound economic activity and social justice for all.

Secondly, we have to re-establish trust in the fiscal regime. Fighting against tax havens will contribute to restoring the confidence of the population and small businesses in the Canadian tax regime. That confidence is currently being shaken by the fact that affluent individuals and businesses are taking advantage of unacceptable largesse. The population has understood that funding public services rests increasingly and unfairly on its shoulders. The Canada Revenue Agency feels that it has made important efforts to track tax fraud. Unfortunately, that is not the public's impression of the CRA's efforts. Much more needs to be done to recover the large amounts of unpaid tax, give the CRA the necessary means to enforce compliance with tax laws, and restore public confidence in those institutions.

Thirdly, guaranteeing tax equity is a prerequisite for healthy competition. The fight against tax havens is thus equally necessary to restore fiscal equity among all businesses. That fairness is currently absent because the Canadian businesses that do not use tax havens have unfair competition from the ones that do. To that, I would add that the issue of unfairness in the digital sector and e-trade no longer needs to be proven. The Canadian government's lack of action in this sector is, unfortunately, deplorable.

What to do? What potential solutions must we examine? Last February, the Collectif submitted various suggestions to the CRA. They are in fact included in the document we have given you. We are pleased today to have the opportunity to do the same at these pre-budget consultations.

To wage a more active battle against the use of tax havens, Canada can and must, among other things, create a public registry of the true, ultimate beneficial owners of companies; consider new forms of income tax to counter the erosion of tax bases, for instance, like the U.K. Google Tax; prevent the tax free repatriation of profits generated by a company in Canada when it is no longer subject to tax or is very lightly taxed in the foreign state; review or abolish the tax treaties and tax information exchange agreements, TIEAs, with well-known tax havens, such as Barbados; and significantly increase the resources allocated to the CRA for the monitoring of abusive tax optimization strategies. Those are only a few examples, and that is not an exhaustive list.

In short, the tax laisser-faire which prevails in Canada is hindering the growth of enterprises that comply with tax rules, to the advantage of the large actors who have the means to abuse those laws. It undermines the confidence of citizens in the tax regime and undermines the state's ability to provide quality, accessible public services. All of these elements are, however, necessary if we are to have an economic growth system.

The fiscal status quo is no longer acceptable. We are simply asking the Canadian government to ensure that its tax laws are equitable, and are complied with by everyone.

● (1115)

Thank you.

[*English*]

The Chair: Thank you. I'm just trying to find your brief. My technology's great, but only when it works.

Next we have Ms. Chan, with Merck Canada Incorporated.

Ms. Jennifer Chan (Vice-President, Policy and External Affairs, Merck Canada Inc.): Mr. Chairman, vice-chair and committee members,

[*Translation*]

thank you for giving me this opportunity to address you on behalf of Merck Canada, one of the major innovative biopharmaceutical companies in Canada.

Merck Canada and the pharmaceutical industry are currently in the midst of an exciting and demanding time.

It is very exciting because of the remarkable progress that is being made in science and technology. That progress allows us to develop new medications and revolutionary vaccines to meet the outstanding challenges in the health care area.

This period is also demanding because we have to take part in putting in place the required policies to ensure that the new treatments are made available to the patients who need them.

I'd like to submit four recommendations to you regarding these opportunities and challenges.

[*English*]

Our first recommendation is that the federal government increase the Canada health transfer by at least 5.2% annually to allow provinces and territories to meet increasing health needs resulting from the aging of our population and the corresponding rising incidence of cancer, including providing timely access to cancer immunotherapies.

Our population is aging and will face more chronic diseases and cancer, among other health challenges. By 2030 the number of cancers diagnosed is projected to be almost 80% greater than the number diagnosed in 2005. At the same time, more new treatments, such as immunotherapies, will continue to become available, contributing further to the decline in cancer death rates that we are already starting to see.

Our health systems in Canada need to be prepared to meet these growing challenges. The Conference Board of Canada estimates that over the next decade, an additional $93 billion in health care spending will be needed, and the health care inflation rate will be 5.2% annually. Accordingly, we recommend the government ensure that the Canada health transfer be increased by at least this rate in the coming years to ensure provinces can meet the growing health demands, including providing timely access to these cancer immunotherapies.

Our second recommendation is that the federal government commit $100 million annually for a public vaccine funding mechanism.

Vaccines are important disease prevention tools. In 2007 the federal government invested $300 million to support human papillomavirus—otherwise known as HPV—immunization programs for over 1.7 million girls across Canada, to prevent cervical and other cancers. As evidence emerged on the health benefits to males, the programs were then extended to both genders. As a result, we have prevented a significant number of future HPV-related diseases and the costs that are associated with them. New funding would help provinces and territories continue to implement HPV immunization in older age groups and other immunization programs and would help to support communication and education activities to increase vaccine knowledge and acceptance. This would help the federal government meet its global commitment to achieve 90% of HPV immunization uptake by the year 2030, and ensure that Canadians are healthier and that our workforce is more competitive.

Our third recommendation is that the federal government reconsider the proposed amendments to the patent and medicines regulations, which will have very detrimental effects on the future prosperity of Canada and on the health of Canadians. The proposed amendments, which will change the way in which the federal regulator—the Patented Medicine Prices Review Board—assesses patented drugs, will have serious negative consequences on Canada's economic competitiveness in medical and biopharmaceutical research and patient access to innovative medicines. Among the consequences will be a significant reduction in research investments and health innovation partnerships, and the loss of high-quality jobs in the pharmaceutical and related sectors. Canada will lose its current tier one status as an early market for access to new medicines and as a prime destination for global clinical trials. That's denying Canadians an important means to access new treatments.

These proposed changes are untested and unprecedented in any jurisdiction, and run counter to Canada's innovation and skills strategy. Merck Canada strongly recommends the government reconsider these amendments, which would be detrimental to Canada's prosperity. We recommend that the government work together with the pharmaceutical associations towards better solutions to improve patient outcomes and protect the economic foundations of the life sciences industry.

● (1120)

Our final recommendation, recommendation number 4, is that the federal government develop a national pharmacare program that provides Canadians with universal, timely and high-quality access to medicines that maintain public and private drug insurance coverage. Merck Canada agrees with the need to address gaps in access to medicines, and if done right, a national pharmacare program would contribute to the sustainability of our health systems and increase Canada's economic productivity and competitiveness.

Any such program must be adequately funded so that Canadians have access to the medicines they need in a timely manner. It should also permit Canadians who have private drug coverage to maintain it, and this would allow governments to focus resources on addressing the coverage gap and ensuring timely access to new medicines.

[*Translation*]

On behalf of Merck Canada, we hope that the government will take these four recommendations into account.

I thank you for your attention. I am at your disposal for questions.

[*English*]

The Chair: Thank you very much, Ms. Chan.

We'll turn then to Mr. Vaillancourt, President, Quebec Association for the Taxation of Financial Transactions and Citizens' Action.

[*Translation*]

Mr. Claude Vaillancourt (President, Quebec Association for the Taxation of Financial Transactions and Citizen's Action): Good morning. I'd like to thank the committee for inviting me.

The Quebec Association for the Taxation of Financial Transactions and Citizen's Action, ATTAC, is an international organization that focuses on financial issues, but from a citizen's perspective. The Quebec chapter of ATTAC has existed for 18 years. The term "economic growth" has become fraught with meaning and consequences. Today we can no longer blindly forge ahead with growth the way we used to a few years ago. Now more than ever, we realize that natural resources can be depleted, and that we are consuming much more than our planet can sustain. We are saddling future generations with a colossal ecological debt. Ecosystems have gone awry because nature is being overexploited. Economic growth as we know it encourages an excessive production of consumer goods and causes enormous waste.

Climate change and the loss of biodiversity caused in large part by an economy based on unlimited growth and the consumption of fossil fuels are already causing their share of catastrophes. Among other things, this will within a few years trigger massive population movements, thus creating a surge of climate change refugees. Consequently, we can no longer keep heading in that direction as though nothing were happening. It is no longer possible to continue to defend a productivist economy under which blind economic growth and job creation, no matter which jobs, justify dangerous decisions, damaging to the environment and all populations.

It's important to include new words in our vocabulary, difficult words like "negative growth" or "de-globalization", that do not please everyone, but are necessary. Thus, Canada's competitiveness —we would prefer to say Canada's leadership—should not translate into a race to growth that can only be deadly in the long term; rather, it should highlight our way of approaching the transition, economically and environmentally, and we should become a model to follow in this great shift. As opposed to what those who want to caricature such a perspective say, we do not at all want to go back to the days when we used candles for lighting. A true ecological transition based on other principles than productivist growth can create jobs, provide a better quality of life and ensure a better future.

The Government of Canada must be the motor of important, necessary changes. To do that, it must support if not subsidize any measure conducive to energy savings, in sectors like public transit, housing, building insulation, and geothermics; take measures to reduce waste; counter urban sprawl, and densify urban populations; support renewable energy rather than fossil fuels; and stop any and all subsidies to the fossil fuel industry, and the construction of pipelines. However, we must support hydroelectricity, wind power and solar energy; take measures to electrify transportation; and develop an economy based on short supply chains. To do so, among other things, we must: encourage local economies in calls for tender, and make that a priority in free trade agreements; encourage, through subsidies if necessary, local and ecologically responsible organic farming, rather than agricultural industry based on exports, huge water consumption, pesticides and oil, which are toxic to the environment; maintain supply management and make it more accessible to the new generation, if not extend it to other sectors, since it is, among other things, very effective to control over-production.

It's important to achieve these changes quickly. To accuse those who defend this necessary and urgent societal project of being unrealistic dreamers is a very poor strategy which may well prove risky over the long term. We are aware that many Canadian policies are going in the opposite direction. The Government of Canada continues to subsidize oil and gas companies; it purchased the Trans Mountain Pipeline, designed to transport highly polluting tar sands oil; it supports a static perspective on free trade based on the same principles since the 1980s, as though nothing had changed since; from one trade agreement to another, it has created large gaps in supply management; and it negotiates agreements that promote long circuits and the unlimited movement of goods, which causes huge fuel consumption.

We should no longer purchase, for instance, poor quality stone from Pennsylvania to restore the Quebec Citadel, which is very close, but rather opt for stone that is locally produced in Sillery, and is of much better quality. This type of situation, which occurs too often, is due to a thoughtless opening of markets. We have to pay attention to what our scientists are telling us. The temperature of the earth has already increased by one degree.

● (1125)

If growth and the plundering of resources continues at today's rate, the earth's temperature will have risen by 3.2 degrees by the end of the century, and that will have terrible consequences.

The Canadian economy must adopt new paradigms and make it a priority to cleave to everything the Canadian government negotiated in the Paris Agreement on climate change. Canada should even be among the most ambitious of the signatories and undertake a true ecological transition as quickly as possible.

Thank you.

[*English*]

The Chair: Thank you very much, Mr. Vaillancourt.

We will start with seven-minute rounds, and we'll stick to seven-minute rounds.

Mr. Sorbara will begin.

Mr. Francesco Sorbara: Thank you, Chair.

[*Translation*]

I want to welcome all of you.

I'll begin with Ms. Chan from Merck Canada.

[*English*]

Last year I attended a groundbreaking in the heart of Toronto. I represent the riding of Vaughan, which borders Toronto. The French company Sanofi made an announcement on a medicines investment in their facility in Toronto.

I also heard comments on the patented medicines regime. Can you provide some clarity on your comments there as well, please? We do want to ensure that Canada, not New Jersey, receives its fair share of investment from medicines.

Ms. Jennifer Chan: Thank you for the question, Mr. Sorbara.

In terms of the patented medicines regulations, what we are really looking for is an opportunity to ensure that in health and innovation policies a whole-of-government approach is taken towards addressing the affordability challenges in terms of the pricing of pharmaceuticals in Canada, while at the same time ensuring that we work with the government to improve access and continue to support the innovation economy. Again, it's about taking a balanced approach in bringing health and innovation policies together.

Currently, the challenge, and the huge concern, is that the proposed changes on the affordability side are measures that are completely unprecedented and untested. Essentially, as an industry, we believe there are better solutions that can be implemented effectively and in a timely manner to help to address the affordability challenge that Health Canada and the Minister of Health are trying to solve without devastating the health research ecosystem and our ability to continue to attract investments into Canada.

● (1130)

Mr. Francesco Sorbara: *Merci beaucoup* for your frankness on your comments.

I want to do one follow-up question, and then I want to move on. In baseball, there's an analogy that you hit the ball towards the gap, and in Canada we have a gap in our coverage for pharmacare, if you want to use that term.

There was a report in the last two or three days from the Macdonald-Laurier Institute about the type of program we could possibly implement. I think that almost 75% of Canadians have a great program, and I personally don't want the New Zealand model, which I know other parties favour, because their coverage of the formulary isn't very good. You don't get the good medicines. You don't get the most up-to-date medicines. It's good populist rhetoric, but it's actually not good policy.

With your global footprint and knowledge, especially in Europe, I would like to hear your company's view with regard to how we cover those Canadians who don't have coverage.

Ms. Jennifer Chan: Thank you, Mr. Sobara.

The terminology is "Don't throw out the baby with the bathwater."

To your point, frankly, the majority of Canadians in fact have some form of coverage, whether it be public or private. There's been a recent Conference Board of Canada analysis that's been done. I know that the coverage systems in Canada are very complicated and difficult to navigate. I work in the pharmaceutical ecosystem and I have to sit down and figure out what my own coverage is and help my parents.

Nonetheless, I think a lot of this is about working together to truly scope the issue and to really identify, at the end of the day, the issue that we're trying to solve. It's to scope the issue and identify the uninsured population in Canada and the under-insured population in Canada. I believe that's truly the population of Canada that we are trying to solve this for.

A recent Mowat report looked at what they call a "targeted approach" in addressing the gap of the uninsured and under-insured. They were looking at the potential costs to run such a program—

Mr. Francesco Sorbara: I'm going to stop you there, because I do want to move on. I would like to take the conversation with you offline.

Ms. Jennifer Chan: Very good. Thank you.

Mr. Francesco Sorbara: To Mr. Frappier and Ms. Cicciarelli, I went to your organization's brief and saw it has a lot of interesting comments. There is a lot there, and you did speak for quite a long time, but could you just nail down your top two recommendations with regard to the social economy?

I read through the brief and there is quite a bit of material here with regard to advancing the social economy.

Ms. Laura Cicciarelli (Partnerships Officer, Chantier de l'économie sociale): The first one would be an analysis of the program that already exists for enterprises and to pinpoint the problems or the obstacles for social economy enterprises.

The second one is for the social innovation, to make sure that the ecosystem that already exists, such as the social economy in Quebec, will be respected as a player in this strategy and that we do not duplicate effort and create things that may already exist.

Mr. Francesco Sorbara: Our government has invested a lot of resources in Canadians overall, but also specifically into the superclusters on the innovation side and the Canada Council for the Arts on the arts and culture side. There are a number of policies for small and medium-sized enterprises, and we've partnered with large corporations as well, including in yesterday's $275-million investment to build a lovely $40-billion LNG facility in the area that I grew up in, which was great to see. We're doing a lot.

Are there any existing programs on the social economy side that you're already benefiting from in terms of what we've done, and could we do more?

● (1135)

Ms. Laura Cicciarelli: There are definitely programs that already do exist. The issue is more in programs that exist for small and medium-sized enterprises that because of some restrictions are not open to non-profits, co-operatives or social economy enterprises as it is.

It's usually because of their *forme juridique*. The problem is to pinpoint where these programs have a shortcoming for the social economy enterprises.

[*Translation*]

Mr. Francesco Sorbara: Thank you very much.

[*English*]

The Chair: That's it.

Mr. Kelly is next.

Mr. Pat Kelly: Thank you.

I'm going to turn to Mr. Lesage from Collectif Échec aux paradis fiscaux.

Parliament has recently been seized with this issue. We had debate on Bill C-82 last week. Do you have any data on the size or scale of the problem of tax evasion through tax havens?

This is illegal activity that we're talking about. It is always difficult to quantify and difficult to understand what we're dealing with because the whole essence of the problem is to evade detection. However, can you share with this committee what you believe is the size and scale of the problem?

Mr. Samuel-Élie Lesage: I'm going to answer in French.

[*Translation*]

You are saying that it's very difficult to quantify because it's illegal. It is even more difficult to quantify when people abuse largesse or profit from gaps or grey areas in the law. No, we don't have data, because practically no one has any yet.

The Canada Revenue Agency, the CRA, has since 2016 been conducting a major study on the tax gap. It deserves to be congratulated, as few countries are doing that. We are waiting for the completion of that examination, whose last report will be about the private sector. If I remember the figures contained in the most recent CRA report on this correctly, for 2014 alone, we are talking about an amount of $1billion to $3 billion for wealthy Canadian taxpayers who do not comply with tax rules. We don't have precise data on that, but the CRA data alone is enough to prove that the problem is real.

The CRA's methodology and some of the choices it made for its analysis could be criticized. You were talking for instance about illegal activities. For our part, we are interested in cases where the law does not provide a sufficiently rigorous framework, one which makes tax evasion possible, through abuse or aggressive tax planning. One example would be a precautionary agreement between Canada and a tax haven to prevent double taxation. Tax avoidance is legal in that case, but is it morally desirable? We think not. However the CRA does not take those financial transactions into account in its analysis, and it it did so, it would come up with even bigger numbers.

[*English*]

Mr. Pat Kelly: Your first recommendation was to establish of some type of registry for beneficial ownership. Can you describe how that registry would work? To whom would its data be available? Have you thought of how the privacy of Canadians could be protected, even with a registry of beneficial ownership?

This committee had studied this aspect, and there were recommendations made to it. I'm not sure if your organization participated in that study or not. This is your opportunity to tell us what you think a national registry of beneficial ownership would look like.

[*Translation*]

Mr. Samuel-Élie Lesage: I don't want to get into the technical details, especially since I do not have any technical documents about this with me. We could discuss this outside of these consultations.

The objective of such a report would be to ensure that tax authorities, in particular, know where the funds are coming from and what characterizes and identifies the investors. The idea is that to some degree that information allows them to better track where those monies are going. So it is important to ensure that the tax base is not eroded. The objective is to give Canadian tax authorities all of the necessary tools to ensure that taxes are paid. As I said, we can discuss the more technical aspect later.

● (1140)

[*English*]

Mr. Pat Kelly: Could you expand on your second recommendation? You talked about changes to tax law that would.... Well, where do you stand on that?

[*Translation*]

Mr. Samuel-Élie Lesage: The example we chose was the Google Tax. It has been in place in England for several years, and its objective is to tax the profits that are shifted. So, they do a type of profit estimation of the income that should be taxed, but is not. It is taken for granted that there is abusive fiscal optimization. After that, the various ways in which that income can be captured must be carefully examined. In one pilot project conducted in the European Union, a 3% tax was applied to the gross income of one enterprise.

Once again, we are trying to ensure that the profits and income accrued in the country are adequately taxed, given that currently, there are loopholes in our laws, our tax laws particularly, that allow some to slip through the cracks in the system and thus to abusively reduce their tax bills.

[*English*]

Mr. Pat Kelly: You would recommend to review or abolish certain existing agreements. You mentioned Barbados and the Cayman Islands. If you abolish an agreement, you have no agreement at all. Does that present problems with enforcement and repatriation of offshore money?

[*Translation*]

Mr. Samuel-Élie Lesage: In writing that, we did not wish to call into question the existence of tax treaties to avoid double taxation, or tax information exchange agreements. As we said, the purpose of the BEPS framework is to automate that process, simplify it and include a maximum number of countries. The fact that this exists is a good thing. The problem, as we see it, is that those agreements are sometimes concluded with countries where given their policies, the effect of those agreements is to reduce tax bills.

How is it that tiny Mediterranean or Caribbean countries sign these agreements? These are countries where the tax rate is negligible, and they are not economic powers. How is it that so much money finds its way there and tax treaties authorize this?

There is a problem there. To change that, we have to determine exactly what is done in notorious and well-known tax havens.

[*English*]

The Chair: Mr. Lesage, the committee did investigate money laundering, terrorism financing and proceeds of crime. Beneficial ownership will be one of the key topics in that report, or one of the topics in that report when it comes out, but that report hasn't been done yet. It was expected to be done last April.

Mr. Julian is next.

[*Translation*]

Mr. Peter Julian: Thank you very much, Mr. Chair.

I thank all of the witnesses for their participation.

This is very interesting and I have a lot of questions to ask.

Ms. Chan, I won't put questions to you right now, but I want to say that you just raised an important point, which other witnesses also raised, which is that budget cuts to health care under the previous government, which continue under the current government, are having an adverse effect on our health care system. We hear you. But what you just explained in that regard is important. We knew that those cuts would have a devastating impact, and we now see that that funding has to be restored.

I will begin with you, Ms. Drouin. Thank you for the work you do with ADISQ artists. I greatly admire all of the country's francophone artists and the work done by ADISQ.

However, something does surprise me. Our government has just purchased an old very leaky pipeline for $4.5 billion. We'll have to add $10 billion to build an extension to that pipeline, which will create barely 50 permanent jobs in British Columbia.

It seems to me that you ask for very little, given the importance of the sector you represent. Also, when I see the increase in the French-language music market in Europe and Africa, it seems to me that our artists are getting crumbs. However, with crumbs you nevertheless manage to accomplish much.

What could you do in an ideal situation where the government would fund and fully support artists, both nationally and internationally? What recommendations would you have for us?

● (1145)

Ms. Solange Drouin: That is an excellent question.

Yes, we are used to managing and to doing miracles with crumbs. We agree that the amount of$10 million we are requesting is an additional sum. Over the years, the funding provided to the Canada Music Fund has been approximately $22 million or $23 million. That is where it is at currently. Of course, that is not enough given the current state of affairs. We could not include everything in our 20-page brief. We submit much longer briefs to the CRTC.

Just to give you a figure, from 2005 to today, the music industry in Quebec lost 72% market share. In 2005 we sold 13 million albums, and we sold fewer than 3 million in 2017. It's a slaughter. This is really important.

The money from public sources is important, but we are used to living with and to taking risks as entrepreneurs. We will continue to do that, but in the meantime we are asking the government to amend laws such as the Copyright Act and the Broadcasting Act.

There are people and businesses that benefit from our work, from the artists' work, by selling bandwidth, which is mainly—not only, but in the main—used to consume cultural content. These Internet access providers are Canadian businesses. I am not talking about foreign businesses but about Bell, Vidéotron, Shaw, Rogers. These businesses don't contribute to the production of content.

We are also asking the government to support us in maintaining our production capacity, and we are asking it especially to give us the means to go and get the funding where it is, that is to say not necessarily from the pockets of consumers and Canadian taxpayers, but from the businesses that make money on our products. I am referring to Internet access providers and online music businesses or companies like Netflix. We are asking for a host of measures. Ten million dollars does not seem like much. It would be added to public funding. Of course, it isn't enough, but that is one of the measures we ask that the government put in place.

Mr. Peter Julian: Thank you.

My next question is for Mr. Lesage and Mr. Vaillancourt.

We are talking about Netflix, and Google. Other witnesses also referred to them. If those companies pay no tax, if they don't pay the HST or GST, is that not another type of tax haven we are providing for these big Internet companies?

With regard to these tax havens, to tax loopholes and the fact that big multinationals pay nothing to contribute to Canada's economic development, what impact does this have on our competitiveness in general?

The health care system, pharmacare and children's services are all systems we need, but we are losing tens of billions of dollars a year because of this gap in our tax system.

Mr. Claude Vaillancourt: Yes, exactly.

I agree completely on that point. Large businesses profit enormously from this entire system in Canada, that is to say a good health care system, a good educational system. We need to say so. It is advantageous for those businesses to deal with people who are healthy and educated.

We ask them for a financial contribution. That contribution is not always made. We are very concerned about trade agreements that are clearly to the advantage of these big companies, and not sufficiently helpful for small and medium businesses.

We have just negotiated NAFTA and some aspects of the new agreement concern us. First, there is supply management of course. Once again, it's always small business, for instance, Quebec dairy producers, who are the losers, whereas big enterprises will be able to benefit from a free market.

We are also concerned about culture. We did protect the cultural exemption, but did we protect the electronic culture? We were just talking about Netflix. Will it be free to chose the content that will be presented to Canadians? Will we be able to ask it to broadcast Quebec content, for instance? According to what we have seen, the answer is no. It's not in the agreement. One specific clause in the new United States-Mexico-Canada Agreement, and a series of other points in fact, show to what extent that sector is not protected.

I was praising a different economy, one that depends much more on local activities, short circuits and what businesses are doing.

My sense is that Canada is once again favouring the large transnational businesses. Those businesses don't have as much impact on the Canadian economy as small and medium enterprises.

● (1150)

[*English*]

The Chair: Thank you, all.

Mr. Fergus, you have seven minutes.

[*Translation*]

Mr. Greg Fergus: Thank you very much, Mr. Chair.

My questions are addressed mainly to the representatives of the Chantier de l'économie sociale, and to the Canadian Community Economic Development Network.

I'd like to make a comment on what Mr. Vaillancourt said with regard to the cultural exception. I am not looking for a reply, it's really a comment. *L'actualité* said this week that under the new agreement, platforms like Netflix, Amazon, Spotify, Apple and others of that type will be subject to the cultural exception. This is not the first time. It applies not only to the cultural sector, but to the entire agreement, and so to the digital area as well. I think that's very important; it's the future. We really have to step up to ensure that Canadian and Quebec cultures are showcased in the digital world.

Can you tell me what you think about that, very briefly?

Mr. Claude Vaillancourt: I could point to a clause in the new agreement that runs counter to what you say. I'd like to discuss it with you.

I can tell you that this is of concern to a lot of the people we deal with in various milieus. We are in fact discussing this topic. We aren't sure we have the protection you refer to. We found something very concrete in the United States-Mexico-Canada Agreement, that shows that what you say is far from certain.

Mr. Greg Fergus: We will discuss that. Thank you.

I have five minutes left.

Mr. Toye and Mr. Gibson, thank you for having come to meet us.

I have three questions on your recommendations. Your second recommendation is to "adopt a framework legislation to embed a commitment to social innovation and social finance across the federal government". I expect that you're trying to fill a gap that means that groups like the CEDs do not necessarily fund social economy enterprises.

Am I right?

[*English*]

Mr. Michael Toye: Yes, building on the model of the Quebec framework legislation of 2013, it really ensures there's a whole-of-government approach, because social economy, social innovation and social finance touch a wide range of departments and agencies. Yes, that helps to ground it.

[*Translation*]

Mr. Greg Fergus: Your 11th recommendation is that we:

> Study the feasibility of a portable account financed by contributions from workers, employers and the federal government, for Canadians to draw upon to pay for lifetime learning and job retraining.

Do you have a figure? Could you propose an amount?

[*English*]

Mr. Michael Toye: I don't have a number. I have to say, these recommendations come from our members across the country, and that's one I'm a bit less familiar with. I think it really reflects the era we're in, where there's a lot more mobility and a lot more dynamism, and we need more flexibility both with the types of enterprises that people are creating and the types of jobs that are going to be available. I'll look into an amount and follow up with you.

[*Translation*]

Mr. Greg Fergus: Your first recommendation is that the federal government invest $375 million.

Would that amount be staggered over several years, or are you asking for all of it immediately?

● (1155)

[*English*]

Mr. Michael Toye: I think that's an excellent starting point. In coming up with those numbers, we looked at what has been invested in other countries—they're putting significant sums into it—and what has been invested in the past, when governments supported the social economy federally in Canada. There was $132 million 15 years ago, which was a good start. We're well beyond that now.

What has been invested in innovation by the current government? Mr. Sorbara mentioned superclusters. There has been strong support for traditional sectors of innovation and less for social innovation and social finance.

I think the money is significant. It makes a huge difference, but I think what's really rooted at the bottom of this strategy is a different way of doing things. It's tapping into the existing programs that Madame Cicciarelli mentioned, as well as existing assets across the country. These relatively small investments would leverage much larger sums of existing programs and existing assets across the country.

[*Translation*]

Mr. Greg Fergus: I have one last question. It's uncommon to receive a dozen recommendations from a single organization.

Are there two or three that you would prioritize?

[*English*]

Mr. Michael Toye: I would say that the first one is number one. That's the overall strategy. In fact, one of the points we made in a letter to Minister Duclos and Minister Hajdu yesterday was about an integrated approach. In fact, all of the elements and recommendations in this booklet are mutually reinforcing and require a comprehensive approach, so if we move ahead with this significant advancement in the overall strategy, a lot of the others will be included in that.

[*Translation*]

Mr. Greg Fergus: Thank you.

Mr. Frappier and Ms. Cicciarelli, I'd like to put a question to you about your recommendations, which are very similar to those of the Canadian Community Economic Development Network.

Once again, I am quite familiar with the work of the Chantier de l'économie sociale, in my region particularly. It's quite prominent. I know that several of your members are now in Bilbao, Spain, for the World Forum on Social Economy.

Which of your recommendations are priorities? Which two or three recommendations would you highlight?

Mr. Martin Frappier: The very first concerns programs. An analysis needs to be done to ensure that the tax and regulatory environment is fair for social economy enterprises.

The second is the implementation of the Social Innovation and Social Finance Strategy, and the need to respect what has already been done, with a view to complementarity. We really do not wish to redo or reinvent anything.

The third, in order of importance and not going by the order in the brief, is to create framework legislation on social innovation or social finance.

We must create a sufficient pool of data to understand the administration of programs correctly when they are created for social economy enterprises.

One of the difficulties is that we are often told, at CED or elsewhere, that businesses are eligible for these programs. However, when we look at the fine print, we realize that the public servant administering the program does not understand the nuances of the businesses. We then realize that the tax status or the activities of the business mean that they are not always eligible, even if this is not spelled out in program documents.

Public servants must be trained, and a group created, to ensure that throughout all of government, everyone understands what social economy and community organizations are, as well as the whole movement around them.

[*English*]

The Chair: Thank you, all.

Ms. Alleslev, go ahead.

Ms. Leona Alleslev: Thank you very much.

I'd like to direct my question to Ms. Chan. My colleague Mr. Sorbara asked a bit about recommendation three. I apologize, but I'm still not clear. What specifically is the government looking to propose in this new regulation? What specifically will impede or cause difficulties for pharmaceutical competitiveness?

Ms. Jennifer Chan: Thank you, Ms. Alleslev. I'll try to respond to this efficiently.

The government is trying to propose new criteria or new factors in terms of setting price. If we think about the role of the federal government, it is a price regulator. Its mandate is to ensure that prices in Canada are not excessive compared to a basket of comparator countries. What they are proposing is additional regulatory burden: processes, criteria and pathways that are not seen anywhere else in the world, frankly. That's one piece.

The second piece is in terms of that basket of comparator countries. We believe that our prices in Canada for pharmaceuticals are in fact fair. We're highly regulated. We compare against countries of like economic status, and we undergo many other steps in the process. We have to demonstrate, through a health technology assessment system, that our pharmaceuticals are cost-effective and that they deliver value. We then work very closely with the provincial governments to negotiate the price of the pharmaceuticals. There are significant cost savings there.

It's a highly regulated environment. It's a system that enables our public payers to achieve significant savings through the pan-Canadian pharmaceutical alliance. It's a system that is working. What the government is now proposing is untested and unprecedented measures that would have a detrimental impact on our industry. We are looking at up to 40% impact on our revenues overall, and there is no industry that can sustain that.

What we are asking for is an opportunity to sit down with the government, stop the letters going back and forth, and work on some concrete, implementable solutions that can be implemented in a timely way. Let's work toward building up Canada's innovation and skills strategy and keep the research and investments coming into Canada. It's really about looking at a balanced policy approach to bring health and innovation together, to ensure that Canadians continue to have access to innovative new medicines and that we continue to stimulate and drive the innovative health research ecosystem in Canada.

● (1200)

Ms. Leona Alleslev: I want to make sure that I understand completely. The government thinks there's a problem that needs to be solved, and yet, from your perspective, perhaps it's a "Don't fix something that ain't broken." Is that a fair statement? There's a gap between whether or not there's a problem that needs to be solved.

Ms. Jennifer Chan: Yes, that's a very fair statement. I think a lot of it is about defining the issue that needs to be resolved and then working together to solve the how.

Ms. Leona Alleslev: All right.

We are on our way to getting a new NAFTA agreement with the United States, which is now USMCA, and there are some concerns, some articles around pharmaceuticals. Have you had an opportunity to get a feel for what that looks like and how that new regulation or trade element is going to impact you in Canada, and Canadians, from a drug perspective?

Ms. Jennifer Chan: The data protection provisions in the USMCA are looking at an extension of the protection for biologic medicine, a specific class of medicines, for an additional two years. It's all fairly new to all of us. We are currently in the process of going through the text and trying to get an understanding of it. We know that intellectual property is the foundation of our ecosystem being able to innovate, but we also know that data protection has a very long time frame, so we're looking eight to 10 years out.

We will continue to work with the provincial governments and all public payers, federal and provincial, to negotiate fair prices for our pharmaceuticals through the mechanism that exists today of the pan-Canadian pharmaceutical alliance. We will ensure that the medicines and the prices of our pharmaceuticals remain fair through the process that exists.

The Chair: Mr. Fragiskatos, go ahead.

Mr. Peter Fragiskatos: Thank you very much, Chair.

Thanks, everyone. Thank you to all the witnesses for appearing today and for their presentations.

I'm particularly interested in the social innovation side. I'm from London, Ontario. In London, and indeed in the southwestern region, we have had this burgeoning sector of social enterprises that have really played an important role in meeting the social challenges facing our society, from drug use to poverty to homelessness. I think it's a really great model that needs further encouragement in Canada, and I thank you very much for your presentations.

I want to delve into something quite specific. I didn't have a chance this morning, because I ran out of time, to ask a question of one of the presenters who'd put in their brief a concern about the future of media. We have heard, really for the past few years, about local media particularly. Newspapers in small communities have been the foundation, in many ways, keeping people together.

I grew up just outside of London, in a small town called Exeter, where the Times-Advocate is still going. It managed to find a way to survive. Really, that was a rallying point for the community. That's where people read about how many goals their kids had scored on the weekend. That's where people read about prices when it came to livestock. That's where people learned about what was going on.

My take on this is that I don't know that it makes sense for government to continue to look at proposals from organizations and messages that continue to come in, saying that government has a responsibility to fund local newspapers. What about the not-for-profit model? I think that it has the potential to save these media outlets in small communities, whether it's newspapers, magazines or other small efforts, periodicals in small communities.

What about the social innovation and social finance model as a way of addressing the challenges faced by local media in communities?

I'll go to Mr. Toye first, and then Ms. Cicciarelli.

● (1205)

Mr. Michael Toye: I totally agree. I think that's the point of social innovation and social finance. It's driven by local people. If there is local ownership and local investment, then the right environment—the right legal structure and the right regulatory structure—can enable local people to take action.

For example, one of our members is the Alliance des radios communautaires du Canada, and those are some key local radio stations. I think Madam Cicciarelli will talk more about the work they're doing with those local content providers to allow them in an ecosystem to be more competitive and to support each other.

We had the example earlier this year of La Presse changing ownership to a model that allows it to serve its public function, its essential public good function, in a way that's more compatible, perhaps, with long-term sustainability.

So I entirely agree. I think the new structures can enable more sustainability in the media sector.

Mr. Peter Fragiskatos: Well, the media sector is evolving so dramatically that I really have a problem with those folks who say that government has a responsibility to offer tax credits or funding, which would really be a slippery slope. When would the funding come to a halt? It would be perpetual. I don't think that's a sustainable model.

I think if citizens come together and support the sector on their own, there's something to be said for that. I think they're living up to their responsibility as citizens. I think it could serve to be sustainable, because there you have citizens who are pursuing their passion. It's all the more likely that local newspapers could be saved that way.

Ms. Cicciarelli, what's your view?

Ms. Laura Cicciarelli: I completely agree that having it controlled by collective ownership is a great way to do this. These types of enterprises come from local needs, and people know what their needs are. They come together to find a solution. As much as government should not have control, it does need to be part of the ecosystem and contribute in that way.

For example, both provincial and federal governments should be contributing by buying at least a portion of the advertisements in the media. They never get to their actual targets, but they approach them, so that's a way of financing. An issue that we have, especially in radio, is that when they want to diversify their content, they are limited by the fact that they are non-profits.

To recognize that certain types of enterprises are limited in this way, to change the way things work so that these enterprises can have access and diversify their funds, and to make sure they are not continually brought in front of an obstacle—these approaches would be a great way to facilitate people coming together and finding solutions for their radios and their newspapers. Such measures would show government leadership in giving responsibility to citizens while remaining a valuable player in the ecosystem.

● (1210)

The Chair: I want to come back to the point that Mr. Julian raised earlier in a question to Ms. Drouin. On the pipeline, there are all different sides to the story, and I think Mr. Julian said that the expense would be $4.5 billion for a used pipeline and $10 billion in order to do the development, somewhere around those figures.

The other side of the coin is that there is what's called an "Alberta discount", in terms of a discount we take in oil prices because we're captive to the U.S. market. Frank McKenna says that the cost to the country of that discount is $17 billion. Yesterday, when we were at Irving Oil, we heard the figure to be much higher, but I can give you yesterday's figure. In yesterday's oil prices, the discount for every single barrel of oil we sent to the United States yesterday was $39.47. That adds up to a heck of a lot of money.

I will take my side, but I'm telling you there are two sides to this story. If we didn't have that Alberta discount, and we had that $17 billion per year in our economy, it would do a lot. All I'm saying, Peter, is that there are two sides to the story. You're entitled to your opinion, and others are entitled to theirs.

We'll go with three single questions: one from the Liberals, one from the Conservatives, and one from the NDP.

Greg, go ahead.

[*Translation*]

Mr. Greg Fergus: I only have one question, which is addressed to Mr. Lesage.

I thank you for your opinion on the matter of beneficial owners. This is a very timely issue for our committee. As our chair said, we are examining the issue of money laundering, which we want to curtail.

We wonder whether the national registry of beneficial owners should be public or private. In some countries like the United Kingdom, it is made public. Others, such as the United States, provide it upon reference.

Do you have a preference?

Mr. Samuel-Élie Lesage: That is an excellent question.

We, and I include our members, have not decided on that specifically. The most important thing is that it provide Canadian tax authorities with the necessary tools to do their work. Afterwards, you will have to decide between making that registry public, or protecting personal information. There are several arguments in favour of both options. We have not taken a position on this. In fact, we should look at this soon, and we intend to.

For the moment, the most important thing I can say is that the Canada Revenue Agency must at least be given effective tools to reach its goals.

Mr. Greg Fergus: I would simply like to invite Mr. Lesage, should the members of his organization have finished their reflection by the end of the month, to send the results of their exercise to the clerk of the committee.

Mr. Samuel-Élie Lesage: Yes, certainly.

[*English*]

The Chair: Okay, you can do that.

Mr. Kelly, go ahead.

Mr. Pat Kelly: Thank you.

Thank you, Mr. Chair, for raising the issue of the differential. The way I would put it is this. What we are doing in Canada through the utter failure of national policy to get distribution channels for our resources to market is the equivalent of exporting hospitals, schools and other public services to the United States. It's a shame. I'll leave it at that, but thank you for raising that, Mr. Chair.

With the moment I have left, I'm going to ask Mr. Lesage again to comment on a topic that is dear to him. You talked about the Canada Revenue Agency having a responsibility to pursue tax evasion and aggressive tax avoidance, yet millions of Canadians who earnestly do their best to comply with Canada's tax law find themselves severely challenged to do so because of the sheer and utter incompetence of the agency. There's no other word for it. When an agency can't answer its own telephone, when an agency gives incorrect information and gives people the wrong answer when they call to ask if they are doing the right thing to comply, that puts Canada in an almost dangerous scenario, I dare say, where the faith in institutions is challenged.

Could you more broadly address the issue of having an agency that can accurately and competently pursue the policy objectives you raised today in your presentation?

● (1215)

[*Translation*]

Mr. Samuel-Élie Lesage: Thank you for your question.

We are also asking for additional funds for the Canada Revenue Agency.

I don't know exactly what the CRA's shortfall is, but I know that another Canadian group, Canadians for Tax Fairness, had estimated it to be about $500 million. That said, I don't know the history, exactly, nor how they arrived at that figure. If I find that, I will send the information to the clerk.

As for the objectives we pursue, we believe that this shortfall impairs the proper functioning of the Canada Revenue Agency. I don't want to say anything about the competence of the agency, but there is a strange contradiction at the heart of the problems you describe.

Aside from these additional investments, what we would most like to see are important legislative changes that will give the CRA some new direction.

This could be new laws, new types of taxation, or amendments to existing laws. It is as though the tools they have are not sufficient, are in poor shape, and they simply need new ones in order to be able to function well.

We are asking for a real legislative review of the Canadian tax system, accompanied by the additional investments required. This would allow the CRA to do all of the work it has to do.

[*English*]

The Chair: Thank you, Mr. Lesage.

Mr. Julian, you are last questioner.

[*Translation*]

Mr. Peter Julian: Thank you, Mr. Chair.

I come from the oil industry. I worked in an oil refinery and I know that my industry very often exaggerates the benefits.

However, this amount of $15 billion is not exaggerated, it is probably underestimated. It's an amount that Canadians, men and women, are going to have to offset.

My question is for Mr. Toye and Mr. Frappier. It's similar to the one I put earlier to Ms. Drouin.

They are going to give the oil industry $15 billion, and that is without taking into account the subsidies that are given to that industry. The social economy and the community development organizations only receive crumbs. If the federal government gave more support to your sectors in the next budget, what impact would that have on employment and economic development?

Mr. Martin Frappier: It is certainly true that we receive crumbs as compared to other industries.

Among the priorities and initiatives of social economy enterprises, there is everything that affects what I call the fair ecological transition. Not only are we concerned by ecology, but we also wish to meet the needs of the greatest number. On that, all the new collaborative technologies offer solutions in the area of transportation, public transit and so on.

Paradoxically enough, everything involving the collaborative technological economy is quite difficult to access because of the big international players, who have gotten ahead and have money and resources to do research and development. Social economy enterprises have much less. And yet, this is an interesting topic and young people want to work on it and provide solutions. For instance, regarding alternative transportation solutions, urban and regional mobility, more investments would lead to more solutions.

● (1220)

[*English*]

Mr. Michael Toye: Thank you very much for the question. I would say that more always helps, but I think the point of social innovation and social finance is that it's different. That's what the social economy has shown in Quebec and around the world. Changing the way we attack social, economic and environmental problems can make a transformative difference in the results we get.

The federal government using its influence as a model to legislate and demonstrate a different way of partnering with community groups, a different way of funding, more flexibly, the work they do, is really the fundamental change. Beyond that, once we have that in place, more resources and support will come naturally because we'll see amazing results.

The Chair: Michael, can you give me an example of the federal government in terms of social innovation?

Mr. Michael Toye: I think the best example we've seen here in Canada is the model of Chantier here in Quebec, which has been around for a little over 20 years now. In a very short period of time, the contributions to employment and social development, the services to rural, remote and under-served communities, and the investment capacity of the *fiducie*, the trust fund that Martin mentioned earlier, have been transformative.

The former ED of the Chantier, Jean-Martin Aussant, who came out of the finance world, said that the results he saw from the Réseau d'investissement social du Québec, just on a financial basis, were far superior to what he had seen in mainstream finance. That doesn't even take into account the social impacts of those investments. It really is transformative, and it's a small amount of money to do things differently that can make a huge difference.

The Chair: Could you or Martin forward that to us so the analysts can have a look at it? I think all committee members would be interested in looking at that kind of model.

With that, thank you all for your presentations and for answering the questions we had today. We appreciate it very much.

For members, lunch is in room 305 at 12:30, and departure for the airport will be in the Hilton lobby at 2 o'clock.

Thank you all again.

The meeting is adjourned.

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